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LETTERS
OF
DAVID RICARDO
TO
JOHN RAMSAY MCCULLOCH
1816-1823

Edited, with introduction and annotations, by

J. H. HOLLANDER, Ph.D.

Instructor in Economics in the Johns Hopkins University

SEPTEMBER AND NOVEMBER, 1895

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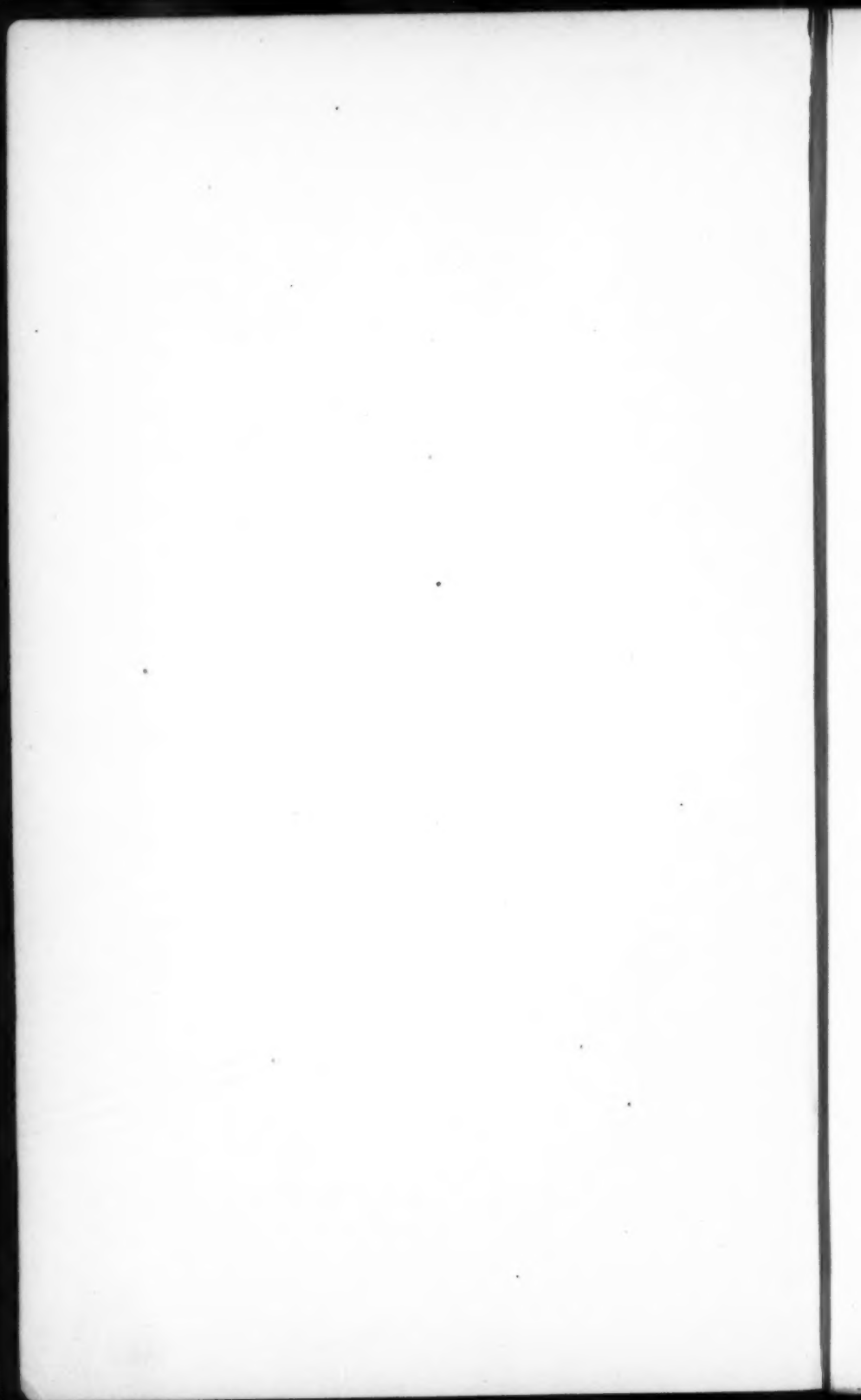
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OF
RICARDO TO McCULLOCH

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INTRODUCTION.

The existence of the following Letters, now first printed from the original manuscripts in the possession of the British Museum,¹ is several times intimated in McCulloch's formal writings. "The Literature of Political Economy" (1845) contains a paragraph from Letter XXI (p. 93, below). Brief extracts from Letters VI and VIII (pp. 24, 30) are inserted in the biographical sketch prefixed to McCulloch's edition of Ricardo's "Works" (1846). The same memoir, slightly enlarged, in McCulloch's "Treatises and Essays" (1853), contains additional excerpts from Letters XXVII and XXXVII (pp. 116, 151), and a sentence from Letter V (p. 17) is quoted in the account of McCulloch's life inserted in the 1869 edition of the "Commercial Dictionary."

The history of the collection may thus be traced with some certainty. The various citations from single Letters and the present excellent condition of the manuscripts, including seals² and covers, suggests careful preservation and orderly arrangement by McCulloch. At his death in 1864, the Letters passed into the hands of his executors, thence into the possession of Mr. Hugh G. Reid, the last survivor of this body, for many years the secretary of McCulloch, and author of the account of his life noted above. In April, 1894, the

¹ The Letters have been carefully mounted and well-bound in a separate volume, Add. MSS. 34.545.

² Ricardo used two seals indifferently: (a) Initials D. R. surmounted by a chess rook sa., between two bezants; (b) Gu., a bend, vairé, arg. and vert, between three garbs, or, on a chief, ermine, a chess rook sa., between two bezants.

collection was presented by Mr. Reid to the British Museum. It is possible that a letter here and there has been lost. At least one serious gap occurs (p. 138). In the main however, the collection in the form in which it is here presented, may be taken as essentially complete.

The correspondence tells its own story. The earliest Letters (I, II) are in acknowledgement of Ricardo's heterodox writings on the national debt. Regular correspondence followed McCulloch's unqualified acceptance of Ricardo's thought,—indicated by laudatory notices of the "Principles of Political Economy and Taxation," and of the "Proposals for an Economical and Secure Currency" in the *Edinburgh Review* in 1818 (pp. 9, 17). Thereafter the Letters occur in natural sequence and discussion centres in Ricardo's formal writing and parliamentary activity, and in McCulloch's numerous contributions to the *Edinburgh Review*, the "Supplement to the Encyclopædia Britannica" and the *Scotsman* newspaper.

The correspondence represents in large part the entire intercourse of Ricardo and McCulloch. Actual acquaintance did not occur until McCulloch's visit to London and to Gatcomb Park, in the spring of 1823. Then indeed McCulloch made good use of his opportunities. Mrs. Grote tells of dinners at "Threddle" where Mill, Ricardo and McCulloch have interminable discussions upon the measure of value.¹ Ricardo wrote to Hutches Trower of McCulloch's presence at a meeting of the Political Economy Club in London and described him as "the writer of many able articles. . . an agreeable well-informed man."² Even James Mill was moved by the bluff heartiness of the Scotch economist, and wrote

¹ Bain, "James Mill," p. 208.

² Letter of Ricardo to Trower, July 24, 1823.

to Macvey Napier: "Few men have ever made a more favorable impression upon me. I like, and I admire him exceedingly."¹ But this was in the late summer of 1823, and Ricardo was then walking in the shadow of the Dark Valley, and McCulloch had long been in thought and in writing essentially a Ricardian.

Personal intimacy was thus the result not the cause of the correspondence. In consequence, fewer details of Ricardo's private life are disclosed in these Letters than in the longer correspondence with Malthus or in the closer interchange with Hutches Trower. Ricardo's love of quiet and domestic life (p. 114), his warm hospitality at Gatcomb Park (p. 152), his lively interest in political affairs and his sincere enthusiasm in economic discussion appear by intimation rather than in detail. Yet essential characteristics of his personality are repeatedly suggested. As an author, he is firmly convinced of the main truth of the doctrines he has formulated; but he recognizes the inadequacy of his exposition in certain directions and avoids dogmatism throughout (pp. 48, 96, 105). He realizes the awkwardness and imperfection of his style (p. 46, 86) and the absence of systematic arrangement in his speaking and writing (pp. 99, 106, 118). This habitual modesty tends to become self-depreciation and distrust of native power. An apologetic phrase describes the ovation with which his first important speech in the House is received (p. 30). He consents with reluctance to the publication of the laboriously written article on the Sinking Fund (p. 46). Even when the monetary policy of the country has been shaped largely by his recommendations,² he assents

¹ Bain, "James Mill," p. 208.

² See Note, page 26; for "59 Geo. III. c. 78" on line 4, read "59 Geo. III. c. 49," and for "1 and 2 Geo. IV. c. 26" on line 22, read "59 Geo. III. c. 23."

to Brougham's heated characterization and laments that he is treated as a visionary and an ultra-reformer (p. 75). In other places he displays less uncommon traits. McCulloch's unstinted praise awakens the pride of authorship (pp. 10, 22). Gratified acceptance is expressed of Mill's and McCulloch's discipleship (p. 11). Contemporary writings and writers—Malthus, Say, Sismondi, Brougham, Blake—are criticized with freedom and vigor, and although critical examination of his own writings is invited and utilized, the results are never allowed to override his own deliberate judgment (pp. 13-14).

The period of the Correspondence is in the main that of Ricardo's parliamentary career. Brougham has told us of the distinguished reputation which had preceded Ricardo in the House and something of what was there awaited of him. The time in which Ricardo actually took his seat was most opportune for in some measure realizing these expectations. Currency and resumption were engaging general attention. Secret committees had been appointed in both Houses to inquire into the affairs of the Bank, and McCulloch in the *Edinburgh Review* had called attention anew to Ricardo's plan of bullion payments. Ricardo was summoned before each committee, was examined at length, and the reports presented were essentially recommendations of his plan. He rose for his first important speech in the debate upon Peel's resolutions, after being 'loudly called from all sides of the House' (p. 24), and he figured soon thereafter in debate as 'one of the highest authorities on questions of political economy in the kingdom.'¹

But McCulloch's assent to Ricardo's plan for "an economical and secure currency" was too unequivocal

¹ Hansard, "Parliamentary Debates," vol. xi, 1219 (June 18, 1819).

to encourage further correspondence after the passage of the Resumption Act. More fruitful subject for discussion and explanation was afforded by Ricardo's opinions, real and reported, upon the nature and remedy of the general industrial depression and the acute agricultural distress, which characterized the years of his political career and formed the chief occasion of his parliamentary activity. Ricardo's attitude was throughout eminently consistent. Even those who like Attwood¹ differed with him the most and considered his opinions the most mischievous, imputed to them this virtue. As occasion demanded, one phase or another of his exposition was emphasized; but his essential views underwent little change and were advanced upon every possible occasion, at the expense of much reiteration in the House, and of more misrepresentation and abuse without. Other topics—parliamentary reform, Queen Caroline, the monetary standard, fiscal rearrangement—are referred to in these Letters, but in less connected manner, and interest centres in the subject first named.

The effective cause of industrial distress, Ricardo conceived, was the disproportion between capital and population. To some extent this insufficiency of capital was natural and inevitable. The population of England was increasing and the supply of land was limited. In consequence profits tended to fall and capital inclined to leave the country. But the desire to remain in one's country was strong and largely counteracted this latter evil (p. 100). Indeed no serious harm would be wrought but for the fact that the natural tendencies to "the abduction of capital" were heightened in effect by the force of certain artificial ones. These were: (*a*), the

¹ Hausard, "*Parliamentary Debates*," vol. vii (N. S.), 379 (May 7, 1822).

corn laws, which enhanced the price of necessaries, raised wages and reduced profits; (*b*) restraints upon trade, which operated as a drag upon industry and discouraged the influx of capital; (*c*) the national debt, of which the interest charge had become an intolerable burden and tended to drive capital from the country (p. 47).

These several causes operated to produce general industrial depression. The peculiar distress of agricultural interests was due to the added misfortune of a period of disastrously low prices, brought about by the extension of agriculture, the introduction of improvements, a succession of good harvests and heavy imports from Ireland (p. 127). The agricultural situation was simply one of enormously increased supply with no corresponding vent (p. 99). The passage of the act for the resumption of cash payments had effected a reduction of perhaps five per cent. in general prices and the subsequent unnecessary purchases of gold by the Bank had probably increased this to ten per cent.; but beyond this the fall in the price of corn could not be explained as the effect of currency changes (p. 119). Nor was taxation alone responsible. Certain charges, such as the poor-rate and the tithe, did bear exclusively upon the agricultural interest; but in the main taxation was a common burden and could not explain the distress of a particular class (pp. 99, 126).

In so far as the distress of the agriculturist was peculiar, it was temporary and tended to work its own correction. Radical legislation was unnecessary and mischievous (p. 127). On the other hand, no absolute or lasting improvement was possible as long as the conditions of general industrial depression remained unchanged. The remedial course to be pursued was then

clear. The corn laws should be repealed, not immediately, nor entirely; but a gradual reduction should be made, extending over a term of years, until a mere countervailing duty, *i. e.*, a charge equivalent to the special burdens upon the agriculturist, was reached (pp. 51, 58, 98). Upon exportation a corresponding bounty should be allowed (p. 102). Less productive capitals would thus be withdrawn from agriculture and invested in more profitable industries. Profits would rise and capital would flow into the country (p. 100). A similar stimulus to industry and consequent increase in available capital would result from the removal of all restraints upon trade, made gradually so as to provide, in so far as possible, for vested interests. Finally, the beneficial effect of these changes would be tremendously heightened by the extinction, wholly or in part, of the national debt. This could be accomplished by an assessment upon the general wealth of the country—upon fundholder as well as land owner,—spread if necessary over a term of years and involving payment to the fundholder at the market, not at the par value, of his securities (p. 50, 81–82),

The occasion of the correspondence, it has been said, was largely a common interest in economic study. Accordingly there are few Letters in the series which are not more or less concerned with economic discussion and exposition. The topics considered are for the most part those suggested by the varied writings and activities of the two men,—the reduction of interest upon the national debt, variations in the monetary standard, inviolability of a sinking fund, a par of exchange, revenue by taxation or funding, the incidence of a tax upon wages, a measure of value, machinery and the demand for labour.

It would be misleading to summarize the economic

contents of the correspondence in a series of controversial propositions, as Dr. Bonar has helpfully done with Ricardo's Letters to Malthus. There were fundamental differences, consciously recognized as such, in the economic thought of Ricardo and Malthus. But already in 1818, in reviewing the "Principles of Political Economy and Taxation" in the *Edinburgh Review*, McCulloch expressed entire agreement with the body of Ricardo's economic thought: 'Mr. Ricardo has done more for the improvement of political economy than any other writer with perhaps the single exception of Dr. Smith' (p. 10, below). Thenceforth the tenor of his numerous economic contributions indicated how unqualified was his assent to what Malthus called the "new doctrines." On his part Ricardo was eminently content with McCulloch's exposition: "You have given"—he wrote of the Encyclopædia article on 'Political Economy'—"so clear an exposition of all the important principles of the science that you have left nothing for me to wish for" (p. 144). Ricardo was not wont to plume himself; but he took the keenest satisfaction in McCulloch's economic conversion and regarded it as "no mean triumph" (p. 11) to have won over a rising economist, "a sincere lover and seeker of truth,"¹ whose fluent pen was constantly active in disseminating "the sound principles" (p. 118) and in forwarding "the good cause" (p. 75).

The essentially different temper of the two minds led inevitably to minor differences of opinion, to which their exact agreement upon fundamental principles rendered each keenly sensitive. To Ricardo such differences seemed to indicate obscurity in his own exposition or positive error in McCulloch's reasoning. To McCulloch

¹ Letter of Ricardo to Hutches Trower, July 24, 1823.

they suggested Ricardo's unwarranted change from the received doctrine of his earlier writings.

To both the impulse to detect the real error and to re-establish unanimity was thus strong, and the most characteristic passages of the Letters in their economic aspect, are those wherein Ricardo attempts by clearer exposition or more detailed argument to persuade McCulloch or to vindicate his own thought. Omitting the dissent from McCulloch's earlier views on the national debt, the more or less dialectical discussion upon a par of exchange, and Ricardo's justification of his attitude upon the agricultural question,—there are at least three topics upon which difference of opinion gives rise to more or less prolonged discussion: (1) the incidence of a tax upon wages, (2) the influence of machinery upon the demand for labor, and (3) a measure of value.

Of the two writers it is surprising to find McCulloch maintaining the less rigid and absolute theory of the incidence and economic effect of a tax upon wages and necessities. The difference arose largely from the distinct points of view from which the same problem was regarded. Ricardo, urging the advantage of meeting heavy expenditures by taxation within the year instead of by funding, emphasized the ultimate effect of such a tax upon the labouring classes—interference with the accumulation of capital. McCulloch, examining the causes of prevailing industrial distress, insisted upon its immediate influence—necessary abandonment by the labourer, of comforts and conveniences hitherto enjoyed. Brought face to face with the question, Ricardo was as far from asserting that a tax upon wages or necessities never fell upon the labourer, as from declaring that wages never rose above the necessary minimum. But even in such cases the mischief, he contended, was

temporary. The value of labor, as of all things was influenced by "contingent" as well as by "immediate" supply and demand, and a compensatory rise in wages took place long before positive depopulation, incident upon a reduced standard, compelled it (pp. 58, 60, 74).

In the Advertisement to the third edition of the "Principles," and in the added chapter (xxxi, "On Machinery"), Ricardo acknowledged frankly and in detail his changed views on the relation of machinery to the demand for labour. It has been evident from passages in a letter of Ricardo to Malthus that the change did not meet with McCulloch's approval.¹ But the present correspondence makes clearer how deeply the soul of the Scotch economist was harrowed at the fancied apostasy. A twelvemonth earlier Ricardo had explicitly stated that the demand for labor was never diminished by the employment of machinery (p. 57). Nothing more than bare intimation of a radical change in view preceded actual transmission of the printed chapter, and the effect upon McCulloch was dismay and indignation. In forwarding the volume, Ricardo invited criticism (p. 103); and McCulloch replied in no uncertain tone (p. 105). Ricardo's response was characteristically modest but firm, and the vindication which accompanied it helpfully supplements the formal exposition of his changed thought. The issue having been clearly defined, further discussion was by tacit consent omitted. But Ricardo lost no legitimate opportunity to reassert his opinion (p. 136), and McCulloch's attitude had in 1825 so far changed that he could speak of the "Case supposed by Mr. Ricardo, with respect to Machinery" as "possible, but exceedingly unlikely ever to occur."²

¹ "Letters of Ricardo to Malthus" (ed. Bonar), p. 184.

² "Principles of Political Economy," p. 165.

The closing letters of Ricardo's correspondence with Malthus indicate the marked dissatisfaction of the writer with a rigid quantity-of-labor measure of value. Clear trace of this is to be found in the successive editions of the "*Principles*." But the present correspondence, in its explicit and detailed recognition of the co-ordinate influence of production-time in determining relative value, affords the fullest vindication of that more generous interpretation of Ricardo's terse statements of the causes of variations in the relative value of commodities, which has contributed to "rehabilitate" Ricardo. The immediate occasion of the ready avowal of the inadequacy of the proposed measure with respect to the time element in production, was afforded by the attacks of Torrens and Malthus (pp. 14, 64). The increment of value, which came from mere passage of time—illustrated by the fermentation of wine or the growth of a tree—remained an unsurmountable barrier to the universal validity of the labor measure (p. 153). McCulloch's devices of treating profit as the wages of accumulated labor, or wages as potential capital, appeared forced and unnatural (p. 175). Long and repeated consideration, continued up to the eve of his death, left Ricardo convinced that a perfectly accurate measure of value was an impossibility, and that choice was afforded only amongst confessedly imperfect ones (p. 176). The proposed measures of Malthus, Mill and McCulloch were each in turn criticised for their pretensions rather than for their inherent error.

In editing the following Letters, essential annotations have been supplemented in places by additional matter of immediate relevance, and by occasional cross-references to other writings of Ricardo, including his unpub-

lished correspondence with Hutches Trower. In the main, however, the inviting attempt to bring the contents of the correspondence into precise relation with Ricardo's general thought and writing has been left to an independent study, now in preparation, of the life and work of Ricardo.

The task of annotation has been facilitated by the promptness and courtesy with which many inquiries in various directions have been answered. In certain cases where the debt is peculiar, specific mention has been made below. The careful transcript of the Letters from the original manuscripts was made by Miss Violet A. Simpson of Kensington, London. Above all the editor desires to indicate his cordial appreciation of the encouragement and aid extended throughout by Dr. James Bonar of London.



LETTERS OF DAVID RICARDO

TO

JOHN RAMSAY McCULLOCH.

I.¹

LONDON, UPPER BROOK STREET, GROSVENOR SQUARE, 9 June, 1816.

SIR,

I beg to return you my thanks for the pamphlet² which you were so kind as to send me, and which I have read with much pleasure. I cannot however agree with you in the necessity of adopting the violent remedy you propose for our present difficulties, of reducing the interest on the National Debt, because though such a measure might be beneficial to one class at the expense of another, it would afford very little relief to the country, and would be a precedent of a most alarming and dangerous nature. Many persons are of opinion, that the

¹ Cover addressed, "J. R. M'Culloch, Esq., Edinburgh"; in another hand, "Opened by J. M'Colluch, Royal Hotell, in mistake." The latter, Dr. Bonar notes, was a famous inn-keeper of Princes Street whose death is mentioned by Sir Walter Scott. See Lockhart, "Life of Scott" (Edinburgh, 1862), vol. vi, p. 25; also Lockhart, "Peter's Letters to his Kinsfolk" (3rd edit. 1819), vol. ii, pp. 344-345.

² "An Essay on a Reduction of the Interest of the National Debt, proving that this is the only possible Means of relieving the Distresses of the Commercial and Agricultural Interests; and establishing the Justice of that measure on the surest principles of Political Economy." London, 1816.

McCulloch urged a forcible reduction of the interest on the national loans, conformable to the reduced value of corn. The reduction should be made "in a ratio compounded of the price of corn when the loan was made, of the reduced price of corn, and of the effect of the fall in the price of corn on manufactures." This involved a deduction of 40 per cent. from the interest upon the loans made from 1808 to 1813, and of 25½ per cent. upon those made thereafter. Cf. Note following Letter II.

present agreement between the value of paper-money and bullion, has been brought about by the fall in the value of the latter. If so, the proposed remedy would be one of positive injustice, even to those stockholders who have lent their money to [the] Government during the latter years of the war, and still more so to those who have been proprietors of stock for a longer period. My own opinion is that there has been both a fall in the value of the precious metals, and a rise in the value of paper. Inasmuch as the latter has taken place the stockholder has been benefited, but if it would be wise to legislate for every alteration in the value of the currency, we ought to have begun long ago, when the stockholders were suffering from a fall in the value of money; and such has been their situation ever since the commencement of the National Debt. No relief is ever afforded to those who suffer from a fall in the value of money, but every heart sympathizes with those who are losers by its rise. Much of our present distress arises from a fall in the value of raw produce, which would have taken place under the present circumstances if our currency had uniformly consisted of the precious metals. It is a fall totally independent of any variation in the value of money. It is confined to raw produce alone, and those who suffer by it have no more claim to relief than the West India planters, or distillers, when adverse circumstances occur in their business. The price of raw produce cannot for any length of time keep so low as to prevent farmers from getting the general profits of stock however high they may be taxed. All taxes I apprehend fall ultimately on the consumers. Our financial prospect is not very encouraging. The first duty of ministers, it appears to me, is to lessen our expenses as much as possible—the second is to raise the taxes till they equal our

expenditure. They should, I think, not meddle with the sinking fund, and still less should they interfere with the dividends of the [stockhol]ders.¹ It is expenditure which will ruin in [time; not the taxes] which are necessary to pay the int[erest on the ex]penditure. You will, I am su[re] excuse me for so freely expressing my opinion [on] matters which are interesting to us all, and on which our object can only be to discover truth, and improve the science of Political Economy.

I am, Sir,

Your obedient and humble servant,

DAVID RICARDO.

J. R. M'CULLOCH, Esq.

II.²

GATCOMB PARK, MINCHINHAMPTON, GLOUCESTERSHIRE, 4th Dec., 1816.

DEAR SIR,

A visit of two days to London, last week, put me in possession of your book and letter, which I brought with me here on my return. Your enlarged essay³ has afforded me both instruction and pleasure, although I cannot yet agree in the justice of adopting the grand measure which you propose for relieving the nation from its present difficulties. I concur with you in all you have said on the bullion question. I think with you that it is too much to entrust to any corporate body the power of rais-

¹ A scrap is torn here from either margin of the MS. page. The bracketed words suggest the probable reading.

² Cover addressed, "J. R. M'Culloch, Esq., College Street, Edinburgh."

³ "An Essay on the Question of reducing the Interest of the National Debt; in which the Justice and Expediency of that Measure are fully established." Edinburgh, 1816. McCulloch has here expanded his pamphlet of fifty-three pages into an octavo volume of some two hundred pages. The views of the larger work are described in the Prefatory Note as "fundamentally the same" as those contained in

ing or lowering the taxes at pleasure, and I do not deny that for many of the loans borrowed during the war a really greater interest will be paid when Bank notes are at par, than what was contracted for during the depreciation. But who depreciated the money borrowed? What made it of less value than gold money? Was it not the act of the legislature, and would it now be just for the same legislature to say to a man who then lent £100, "You must now take £3 for your interest, instead of £5, because £3 is now as valuable as £5 was then." Will not the lender reply, "the reason why my £100 was then less valuable than it is now was in consequence of your giving an unlimited power to a corporate body. Since 1797 I had employed my money in discounting bills, and always received £5 for every £100 for interest. By an act of yours you reduced its value, and assured me at the time that I was mistaken in thinking so, as my £100 was as valuable as before. By reducing my interest now you will really pay me only $\frac{2}{3}$ of my original £100." You may say that he probably had not the money since 1797; that in 1812 he sold goods to purchase stock, or to lend it to the state, and obtained an additional quantity of money because it was depreciated, and therefore his plea is not valid; but who is to determine this? You say that you do not propose to reduce the interest of any part of the debt created anterior to the

the earlier pamphlet, but the writer has further endeavored "to prove that a great portion of the paper lent to Government during the late war was *depreciated*, and that if the stockholders are now paid the same nominal sums they lent, with *undepreciated* paper, they will get an undue advantage at the expense and ruin of the productive classes." McCulloch advocates the propriety of repealing the Restriction Act and of obliging the Bank to resume cash payments; but urges the inexpediency of such a measure unless accompanied with a reduction of the interest of the national debt, to counteract the effects of the bank restriction and of the corn laws. Cf. Note following this Letter.

depreciation of paper, but how is this part to be distinguished from the other; how are you to distinguish the stockholder of 1790 from the stockholder of 1800, or of 1810, or of 1816? It is evidently impossible; the stock is all amalgamated together,—has passed through a thousand hands and can in no way be distinguished. You say too that were the value of agricultural produce reduced, so ought the burdens of those who grow it. But would not their burdens be diminished? Would they have the same taxes to pay on an expenditure of 60s. that they now have to pay on an expenditure of 80s.? Would their tithes come to so much? Would their property tax be so great if that tax still existed? If they bought one bottle of wine would they pay the same tax as if they bought two? A part of the capital of the former would be removed from agriculture to manufactures,—it would be productive of value in that shape and would pay taxes equally as before. But you may say the whole will not be equally productive as before, and that therefore more taxes must be raised to pay the interest of the National Debt. You may repeat the quotation from Mr. Malthus of which you avail yourself, page 198¹; but Mr. Malthus does not satisfy me—I am persuaded he is wrong, though to shew his error would require more space than I now can allow myself. I firmly believe that if corn fell from 80 to 60s. the ability of the people to pay taxes would be increased instead of diminished. You say that in 1812 the state in engaging to pay an annuity of £10,000 really had in view to give a power of purchasing 1600 quarters of wheat. I differ from you. Leaving out of the question the depreciation of money it really agreed to give £10,000

¹ "The Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn" (London, 1815), pp. 38-42.

money, leaving it to the course of events whether £10,000 should purchase in 1816—3,000 or 800 quarters of wheat; it made no provision either for a rise or fall of any other commodity. If the state had any other intention your argument about money is delusive, as neither gold nor silver is the standard by which Bank notes should be regulated, but wheat, and then every year, or every ten years the dividend on the National Debt must be readjusted by the price of wheat. If the stockholder is enriched by the fall of wheat so is the mortgagee, the discounteer of bills, the manufacturer of cloth and of every other commodity. Why not use your adjusting rule to all these previous transactions? Your system proceeds upon the supposition that the price of corn regulates the price of all other things, and that when corn rises or falls, commodities also rise or fall,—but this I hold to be an erroneous system, although you have great authorities in your favour, no less than Adam Smith, Mr. Malthus and M. Say.

If your opinion be just, when corn was at 40s., and the state borrowed money, it agreed to give 5,000 quarters of corn to an annuitant of £10,000, but it has paid £10,000 money ever since although that money would frequently purchase no more than 2,000 quarters of wheat. How will you compensate to this man the injustice to which he has so long been subjected?

This letter has swelled to an unconscionable length, but I have one observation more to make, and then I shall finish. You accuse me of protesting strongly against the injustice of encroaching on the sinking fund at the same time that I shewed the propriety and justice of *repealing* the corn laws.¹ In this you are mistaken.

¹ McCulloch's statement is, "Mr. Ricardo in his ingenious essay on the Profits of Stock, protests strongly against the injustice of encroach-

I recommended no *repeal* of the corn laws, for I wrote before they were enacted. But if I had, I should not I think have been guilty of any inconsistency. Laws are made for the benefit of the whole community, and not for the benefit of any particular class; they may therefore be enacted or repealed as expediency may require. A parental Government however, will never be unmindful of the consequences of their [*sic*] acts to a large class of individuals. But on the question of the sinking fund they have no choice. I consider it as a positive bargain between the nation and the stockholders, which cannot be infringed by one of the contracting parties.

I am, Sir,

Your obedient servant,

DAVID RICARDO.

J. R. M'CULLOCK, Esq.

NOTE.—McCulloch's views upon the national debt and the justice of a forced reduction of interest or principal underwent repeated change—tending, in the main, from the radical opinions advanced in the writings just noticed to the conservative attitude assumed in his "Taxation and the Funding System." In 1820, in the *Scotsman* newspaper, McCulloch defended Ricardo's plan of a general assessment

ing on the Sinking Fund, at the same time that he fully shews the propriety and justice of repealing the corn laws." "Essay on the Question," etc., sect. vi). For the passage referred to, see Ricardo, "An Essay on the Influence of a Low Price of Corn on the Profits of Stock" (London, 1815), in "Works" (ed. McCulloch), p. 390.

McCulloch himself urged that the sinking fund be applied to defraying the expenses of government. In reply to Ricardo's argument that a breach of faith would be therein involved, he declared: "surely the capitalist who had expended money in purchasing and improving an estate, in the belief founded on acts of Parliament, that no foreigner would be allowed to compete with him, till the home price reached a certain sum, would have an equal, nay, a much stronger ground of complaint if these acts were rescinded, than the stockholder can possibly pretend to have, when the Sinking Fund is applied to the *prevention* of loans." ("Essay on the Question," etc., *loc. cit.*)

upon the wealth of the country, as a means of extinguishing the debt, but advocated a much heavier levy than that proposed by Ricardo, (see Letter XI, below). In the *Edinburgh Review* for July, 1821 ("On Pernicious Effects of Degrading the Standard of Money"), McCulloch characterized the forcible reduction of principal or interest as a measure which "can neither be defended on the grounds of necessity nor of justice," and as "an attempt to commit an open and barefaced robbery of a particular class of the community, whose rights are as sacred, and ought to be as much respected as those of any other class." In the same magazine for October, 1827, ("Taxation—Retrenchment—Reduction of the Public Debt"), McCulloch again reverted to the assessment plan, and strongly recommended a levy of twelve per cent. upon the total wealth of the country, as a means of extinguishing one half of the national debt. The sequel to this article, in the *Edinburgh Review* for January, 1828, ("Progress of the National Debt—Best Method of Funding"), further opposed any scaling down of the debt or its interest, with the explicit statement that "there is no way, or none at least that is just and honourable, and it is to be hoped that we shall never resort to any of a different description, of reducing the annual charge on account of the public debt, except by paying off the principal." In the "Taxation and the Funding System," the project of a general assessment upon the country was described as "wholly impracticable" and "most unjust," and the best method of reducing the burden imposed by the debt was vaguely stated to be the adoption of "such measures as may seem best fitted to give additional vigour to the productive energies of the people." (3rd edit., 1863, p. 491.)

To a writer of such extraordinary fixity of opinion as McCulloch, the heterodoxy of his earliest contributions to economic literature must have been an enduring thorn. He endeavored in later life to cover the lapse by a tacit neglect of authorship. This was made possible by the apparent failure of either of the two writings on the national debt to attract public notice, (cf. "Some Illustrations of Mr. McCulloch's Principles of Political Economy," by Mordecai Mullion,

1816, p. 68). His article on "Corn Laws and Trade" in the "Supplement to the Encyclopædia Britannica" (see Letter IV, below) acknowledged the incorporation of "a few paragraphs" from the "Essay on the Question," etc. Thereafter neither pamphlet nor book are referred to in any of McCulloch's voluminous writings. Both compositions are omitted from the list of works prefixed to many of his later writings, and neither is enumerated in his "Literature of Political Economy." Finally in McCulloch's edition of Ricardo's "Works," a tell-tale foot-note contained in each of the three editions of the "Principles of Political Economy and Taxation" (1st ed., p. 586; 2nd ed., p. 532; 3rd ed., p. 517), is coolly omitted by the editor. The note should be appended to the paragraph ending "doubled or trebled in price" on page 258 of the McCulloch edition—nominally a reprint of the third—and is as follows: "Mr. M'Culloch, in an able publication, has very strongly contended for the justice of making the dividends on the national debt conform to the reduced value of corn. He is in favour of a free trade in corn, but he thinks it should be accompanied by a reduction of interest to the national creditor."

Both pamphlet and book have become scarce. A copy of the pamphlet is in the library of Columbia College, and one of the book in the Astor Library, New York. For an examination of the latter, the writer is indebted to Mr. Edgar J. Kohler of New York, and for the communication of precise title, to Professor H. S. Foxwell of Cambridge, England.

III.¹

GATCOMB PARK, MINCHINHAMPTON, GLOUCESTERSHIRE, 22nd Aug, 1818.

DEAR SIR,

After I had sufficiently enjoyed the pleasure which I derived from reading the flattering critique on my work in the last number of the *Edinburgh Review*,² I natural-

¹ Cover addressed, "J. R. M'Culloch, Esq., College Street, Edinburgh."

² *Edinburgh Review*, No. LIX (June, 1818), Art. II, ("On Ricardo's Principles of Political Economy and Taxation"). The writer

ly began to speculate on the probable writer of it, and immediately my suspicions fell upon you, because I had no reason to believe that any other person who was likely to be a writer in the Review so fully agreed with the doctrines which I have endeavored to establish as yourself, excepting only my friend Mr. Mill, and he I knew had not written it. Having at various times had reason to believe that you took a favorable view of my^opinions,¹ I settled the point at once, and felt assured that you were the person who had distinguished me so very far beyond my deserts. I know not whether I ought to thank you, but I have been exceedingly gratified. My own doctrines appear doubly convincing as explained by your able pen, and I have already heard in this retreat that those who could not understand *me*, most clearly comprehended *you*. For this service I may thank you, and I may also be permitted to express my satisfaction that I have succeeded in impressing you with the same view of the general principles of Political Economy

describes the "Principles" as a work "in which Mr. Ricardo has examined the fundamental principles on which the science of Political Economy rests, and in which, as it appears to us, he has done more for its improvement than any other writer, with perhaps the single exception of Dr. Smith." A partial analysis of the treatise follows, and its fundamental doctrines receive unqualified praise. Cf. "Letters of Ricardo to Malthus" (ed. Bonar), p. 154.

This review was the first of McCulloch's economic contributions to the *Edinburgh Review*, for a full list of which, see the 1869 edition of his "Commercial Dictionary," xxxi; also *Notes and Queries* for October 5, 1878.

¹ Eight months earlier (December 16, 1817), Ricardo had written to Malthus: "Have you seen the Review of M. Say and myself in the British? . . . In the Scotsman, a Scotch newspaper, I have been ably defended—the writer has evidently understood what I meant to say, which the reviewer has not done." See "Letters of Ricardo to Malthus," (ed. Bonar), pp. 145-146. The reviewer was in all likelihood, as Dr. Bonar notes, J. R. McCulloch, whose connection with the *Scotsman* dated almost from its establishment in January, 1817. Cf. Bain, "James Mill," p. 165.

which I myself entertain. I have not many converts of which to boast, but when I can number amongst them yourself, and Mr. Mill, I think mine is no mean triumph. The latter gentleman is now on a visit to me here, and I am sure you will be pleased to know that he thinks your review a masterly essay on the science, and will very much assist to disseminate correct views on a very intricate part of it.

I rather regret that you did not notice those passages¹ in the *Review* which you think give encouragement to ministers to be profuse in the public expenditure, contrary to the general principles which are in other parts of the work maintained. They should have been noticed to have been condemned. I have only the poor apology to offer in my defence that I had no such intention, and shall be glad if the book goes to a second edition to leave such passages out, or so to modify them that they shall not bear such a construction. I am as great a friend to economy in Governments as you can wish me to be; every guinea that is spent unnecessarily I think is a public wrong, and I should therefore be sorry to give the slightest encouragement to waste and extravagance. I will not fail carefully to revise that part of my book, and shall be happy to have my attention drawn by you to the particular pages from which you think it may be inferred that my opinions are not so strong as I have now expressed them.

Before I conclude I must account for not writing to you sooner, for your letter being dated the 15th July you might otherwise be surprised that I did not answer it before the 22nd of August. Your letter and the sheets that accompanied it, only reached me here on the 20th

¹ Mentioned evidently in McCulloch's accompanying letter, since the *Review* contains no reference thereto. Cf. the following Letter.

inst., and consequently I had seen the published number of the Review before I received your letter. Some delay must have occurred in the conveyance of your parcel to London, for as I have a dispatch, at least once every week from Brook Street, it could not I think have been there before the 13th August. I hope that business or pleasure may during the next winter call you to London, that I may have an opportunity personally to assure you of my esteem.

I am, dear Sir,

Very sincerely yours,

DAVID RICARDO.

J. R. McCULLOCK, Esq.

IV.¹

GATCOMB PARK, MINCHINGHAMPTON, GLOUCESTERSHIRE, 24th Nov., 1818.

MY DEAR SIR,

I thank you very much for the sheets of the Supplement to the Encyclopedia² which you were so good as to send me by my brother. I have read with great satisfaction the two articles which you have written, one on the Corn laws,³ the other on the Cottage system.

¹ Cover wanting.

² "Supplement to the Fourth, Fifth and Sixth Editions of the Encyclopædia Britannica," 6 vols. (Edinburgh, 1815-1824). The articles named as well as McCulloch's other contributions to the "Supplement" bear as signature the fictitious initials "S. S." For the authorship of the various economic contributions to the work, see *ibid.*, vol. vi, xxiv; also the American reprint of McCulloch's article on Political Economy, with notes by Rev. John M'Vickar, "Outlines of Political Economy" (New York, 1825), p. 75, note.

³ More exactly, "Corn Laws and Trade." The second edition of Ricardo's "Principles" contains several references to this article. A long citation from it in a foot-note to chap. xix ("On Sudden Changes in the Channels of Trade") concludes: "The whole article is well worthy of attention; it is very instructive, is ably written, and shews that the author is completely master of the subject." Cf. "Works" (ed. McCulloch), p. 161, note.

They appear to me to be correct in principle, ably and clearly written, and to contain much useful and important information. I would say more, because I feel more, but you have disqualified me for the office of a judge, by rendering my impartiality suspicious. The favourable manner in which you have noticed me has certainly been very highly gratifying to me. Mr. Murray has very suddenly applied to me for permission to print a second edition of my book.¹ Its sale it seems has been much accelerated by the distinguished notice which you took of it, and Mr. Murray is so much of a political economist as to know that it is his interest to increase the supply with the demand, and he seems also to be aware that the demand for some articles is very much governed by caprice. For these reasons he is very desirous to get the book out as soon as possible. I have been busily employed these last few days in reading it over with attention, chiefly with a view to find out those passages which you think hold out an apology to ministers for Taxation²; but I fear I have not succeeded. In page 329 there is something like it, and I propose altering that passage by substituting the following words after "a minister" instead of those which now stand there: "a minister is induced to have recourse to more direct taxes, such as income and property taxes, neglecting the golden maxim of M. Say, 'that the very best of all plans of finance is to spend little, and the best of all taxes is that which is the least in amount.'"³ Perhaps instead of this you would suggest something different, and would oblige by giving

¹ The second edition of the "Principles of Political Economy and Taxation" appeared early in the following year, 1819.

² See preceding Letter.

³ The substitution was made as indicated. See "Principles," 2nd ed., p. 297 (chap. xvi, "Taxes on Wages").

me your opinion freely on all those passages which you would like to see altered. I promise to use equal freedom with you, and to retain my own expression if I am not convinced by you. As the first few sheets will immediately be in the press, I hope you will excuse my requesting you to write to me immediately.

I understand that Major Torrens has written an article in the *Edinburgh Magazine* on my observations on value.¹ I have not yet seen it, but expect to have it here in a few days. Major Torrens and I had a long conversation on this question, without convincing each other. I have distinctly stated in my book, that value is not regulated solely by quantity of labour, when capitals are employed in production which are not equally durable.² I mean to insert in page 38 the following observation to be printed in the next edition, and which I think more fully answers Major Torrens' objection:³ "The same result will take place if the circulating capitals be of unequal durability. If from the nature of two different trades, in which equal capitals are employed, one manufacturer could not bring the commodity he produced to market in less than one year, while the other could bring his there in three months, the commodity of the first would fall in relative value to the second, with every rise of wages and fall of profits. It must be unnecessary to go into further calculations

¹ See Note following this Letter.

² "Principles of Political Economy and Taxation," 1st ed., p. 23 *et seq.*, (chap. i, "On Value").

³ *Ibid.* 2nd ed., p. 36. Several other paragraphs were inserted in the same chapter, emphasizing this and related considerations, cf. *ibid.* pp. 29, 31, 39-40. The chapter was also divided into sections with an analysis of each section at the head. This arrangement was altered in the 3rd edition (1821) but not then inserted for the first time, as Professor Ashley states ("The First Six Chapters of the Principles of Political Economy and Taxation, of David Ricardo," in "Economic Classics," p. 1, note).

to prove this to be true, as it rests precisely on the same principle as the case already considered, namely, the different degrees of durability of two equal capitals." Forgive me for troubling you so much at large with these matters. My brother¹ only passed a few days with me in the country since his return from Scotland. He speaks with so much delight of the country he has been visiting, and of its inhabitants, that he has given me a great desire to visit it. When I shall be able to gratify this desire, I am not at present able to tell. I trust however that either in Scotland or in England, I shall ere long have the satisfaction of assuring you in person of the esteem with which I am

Most truly yours,

DAVID RICARDO.

NOTE.—There is a letter signed J. G. in *Blackwood's Edinburgh Magazine* for October, 1818, (pp. 58-62), upon Ricardo's "Principles of Political Economy and Taxation." But it is a criticism less of Ricardo than of McCulloch's notice of the "Principles" in the *Edinburgh Review* (June, 1818, see above, p. 9). It dwells chiefly on the alleged opposition of landlord's interest and public interest, and is too rhetorical and narrow to have been written by Torrens.

The letter referred to in the text is to be found in *The Edinburgh Magazine and Literary Miscellany* (Constable, Edinburgh),—a new series of the journal, usually called the *Scots Magazine*. In the number of that review for October, 1818, (pp. 335-338), appears a letter to the editor signed R., with the heading "Strictures on Mr. Ricardo's Doctrine respecting Exchangeable Value." The theory examined is that the quantity of labour measures value. The writer thinks that Adam Smith was careful to limit this principle to the first and rude state of society, and Ricardo in going further has gone wrong. Ricardo admits that the principle which he has asserted will not hold of capitals possessing

¹ Probably the Ralph referred to later. See Letter VI, below.

unequal degrees of durability, but says there are exceptional cases. They are not the exceptional, but the common cases, says R., and therefore, Ricardo's principles are entirely subverted by them. Even when the capitals possess equal durability, the labour which they put in motion may be different and unequal; but competition will still bring the value of the products to the same point. Hence, although equal values no doubt emerge when equal capitals have to set equal quantities of labor in motion, there is no necessary connection between the two circumstances, and the values may be equal in quite different cases also. It is not, therefore, the quantity of labour that determines exchangeable value; and Ricardo has mistaken "an accidental coincidence for a necessary connexion." The writer sums up: "Whenever capitals consist of different proportions of raw materials and wages, whenever the rate of wages happens to be higher in one business than in another, whenever capitals are of different degrees of durability, and whenever being of equal durability, the expenditure for wages is different, the value of the products will not be in proportion to the quantity of labour employed on them."

In the November issue, (pp. 429-431) of the same magazine, appears a reply to this criticism, under the caption: "Mr. Ricardo's Theory of Exchangeable Value Vindicated from the Objections of R." It bears the signature M., is dated Edinburgh, November 2, 1818, and is clearly the product of McCulloch's pen. The gist of the reply is that under the term "labour," Ricardo included not only the labour employed on the capital after its accumulation, but the labour employed in actually accumulating capital, "the labour expended in forming the capital." In short, "What is capital but accumulated labour?"

For communication of the facts above stated, the writer is indebted to the courtesy of Dr. James Bonar of London.

V.¹

GATCOMB PARK, 3 January, 1819.

MY DEAR SIR,

I have read with great pleasure the article on Currency, for the next Edinburgh Review, which you have been so kind as to send me.² It appears to me so able, so clear, so convincing, that I shall be puzzled to account for the obstinate prejudices of those who no doubt will continue to refuse their assent to doctrines so mathematically demonstrated.³ Your kindness has again led you to bestow unmerited praise on me. I assure you that I feel very proud of the favourable opinion which you have formed of my speculations. I have read the article with an endeavour to discover blemishes in it, but excepting on one or two trifling points, not in the least affecting the reasoning; I cannot discover any. Those points are as follows:⁴ In page 56 a few lines from the bottom, you say "and if one-half the usual supply were brought to market, it (the price of commodities) would be increased one-half." It is evident that you meant they would be doubled in price.

¹The last sheet of the letter is used as the cover, and addressed, "J. R. McCulloch, College Street, Edinburgh."

²*Edinburgh Review*, No. LXI (December, 1818), Art. III. The article is nominally a review of (1) Ricardo, "Proposals for an Economical and Secure Currency; with observations on the Profits of the Bank of England" (London, 1816); and (2) Prinsep, C. R., "An Essay on Money" (London, 1818). Ricardo's plan of making bank-notes exchangeable for gold bullion of the standard purity at the mint price of gold, is described in detail and heartily endorsed.

³This sentence is quoted by Mr. Hugh G. Reid as Ricardo's estimate "in one of his letters," of an early paper of McCulloch's on currency. See "Biographical Notice of John Ramsay McCulloch," by "H. G. R." prefixed to the 1869 edition of McCulloch's "Commercial Dictionary."

⁴The article had probably left the press and none of the changes suggested were made.

In page 64 you give your readers reason to infer that the Bank advance [*sic*] the paper issued on occasion of the payment of the interest of the National Debt; now I believe that this never really happens. Certain taxes are pledged to the national creditor, they are paid into the exchequer, and from the exchequer to the Bank, and are never for one moment at the disposal of ministers. Your argument however is not affected by this fact; because by means of direct loans, and by the purchase of Exchequer bills in the market with their notes, the Bank and Government together can issue any amount of paper they please besides that which is issued through the means of discounts. In page 66 you say "that all the difference that can take place in the *value* of gold and silver currencies, among nations trading together, will generally be limited to the expense of the transfer of bullion from the one to the other." This observation is true of the exchange—that can never differ more than this expense, but I do not think it is equally so of the *value* of the precious metals. The value or price of cloth or of hats may in France be not only so much higher than in England as will pay the expenses and profits of the clothier and hatter who export them, but also the additional expense of conveying the money for which they are sold from France to England. Gold being a commodity is subject to the same rule. I have endeavored to explain this in my book from page 174 to the end of the chapter.¹ It is of little importance in your essay but I am more induced to mention it to you now, as you should guard against a misapprehension in the article on Exchanges which you have it in contemplation to write,² and here my observations end. I

¹"Principles of Political Economy and Taxation," chap. vi, "On Foreign Trade." In "Works" (ed. McCulloch), pp. 82-86.

²See page 33, below.

see no other expression that I can cavil at. In your quotation from me, page 74, you end it by the word "*performed*"; on referring to my pamphlet, page 25, I find in my copy which is one of the second edition, the words "they had been so advantageously applied." The first is inaccurate though I may inadvertently have used it.¹ The subject, of which metal to choose for the standard, is I think of little importance. On the whole I am quite contented with the present mint regulations, 1st, because I do not like a change without there is a very manifest advantage in it, and 2dly, because it is confidently expected that the introduction of the most perfect machinery known into the silver mines may very considerably lower the value of that metal. If so it is unfit for a standard. The same objections cannot be made to gold.² Lord Lauderdale in his speeches and several writers in the *Times* have endeavoured to shew that if the Bank paid in gold it would all leave the country in consequence of the mint regulations, notwithstanding that [gold]³ only is a legal tender in payments above 40s.⁴ This is very absurd, and if you had shown it to be so, I should have been glad, for that is now the plea on which the continuance of the restriction is defended. If you think I can be of any use to you in

¹ "Proposals for an Economical and Secure Currency," sect. iv. The phrase in the first edition (p. 25) "which . . . they had so advantageously performed" was changed in the second to, "to which . . . they had been so advantageously applied." For the latter, see "*Works*" (ed. McCulloch), p. 404.

² Cf. Ricardo's speeches in the House on May 24, 1819 and February 8, 1821. Hansard, "*Parliamentary Debates*" vol. xl, 747; vol. iv, (N. S.), 535.

³ MS. defective.

⁴ This objection was stated and examined in detail, by Ricardo, in a note added to the second, and retained in the third edition of the "*Principles of Political Economy and Taxation*" (chap. xxvii, "On Currency and Banks"); in "*Works*," ed. McCulloch, pp. 224-225.

looking over the proof sheets of your article on Exchanges,¹ I shall have great pleasure in doing it, but from what I have already seen you will make it all that it should be. To the best of my recollections Mushet did correct his Tables in a subsequent edition.² I have not his book here. I have attended to some of your suggestions for the improvement of my book. I cannot agree with you in thinking so lightly of the extinction of our national debt. I should agree to no other means of getting rid of it but by paying it, which would relieve us from many of the evils you enumerate, such as the encouragement to gambling, etc. We agree as to the evils, but not as to the remedy. Having noticed Buchanan in the former edition I cannot now omit making the same references to him, particularly as his objections are popular objections and such as I would wish to answer.³ I will consult with Murray about introducing a few pages from the pamphlet which you have honoured with your approbation.⁴ Murray sent me for a few days the only copy that was in London of a French translation of my book, with notes by M. Say.⁵ He speaks

¹ See page 33, below.

² Probably, "An Enquiry into the Effects produced on the National Currency and Rates of Exchange by the Bank Restriction Bill, explaining the Cause of the High Price of Bullion," etc. London, 1810.

³ David Buchanan, economist and journalist, who in 1814 published an annotated edition of Adam Smith's "Wealth of Nations," with a fourth volume of "Observations on the Subjects treated in Dr. Smith's Inquiry into the Nature and Causes of the Wealth of Nations" Edinburgh, 1814. Repeated reference is made to Buchanan's criticisms in the successive editions of Ricardo's "Principles."

⁴ This was actually done, and the greater part (pp. 25-32; in "Works" ed. McCulloch, pp. 404-407) of sect. iv of the "Proposals for an Economical and Secure Currency," the pamphlet here referred to, was inserted by Ricardo in chapter xxvii, "On Currency and Banks," of the second edition of the "Principles of Political Economy and Taxation." Cf. "Works," pp. 215-218.

⁵ "Des Principes de l'Économie Politique et de l'Impôt, traduit de l'anglais par M. F. S. Constancio, et avec des notes explicatives et

very respectfully and kindly of me, but does not agree with my doctrine. He does not appear to me to have seized my meaning. He attempts to shew that there is no land which does not pay rent, and then thinks that I am confuted—never noticing the other point on which I lay the most stress, that there is in every country a portion of capital employed on land already in cultivation for which no rent is paid,—or rather that no additional rent is paid in consequence of the employment of such additional capital.¹ Believe me, my dear Sir,

Faithfully yours,

DAVID RICARDO.

This is a very confused letter, but I have written it in haste and cannot undertake to write it over again.

critiques de M. J.-B. Say. 2 vol. Paris, 1819. It is apparently an oversight of Professor Ashley to state ("Ricardo" in "Economic Classics," v) that the actual translation is by Say.

A letter of Ricardo to Say, of January 11, 1820, acknowledges the receipt of a present from the latter, which Dr. Bonar takes to be ("Letters of Ricardo to Malthus," p. 165) the above translation. On the whole it seems more likely that the reference is to the fourth edition of Say's "*Traité d'économie politique*," published in 1819. Cf. Say, "*Mélanges et Correspondence*" (ed. Charles Comte), pp. xvi, 103.

¹The first edition of the "*Principles of Political Economy and Taxation*," contained a foot-note (pp. 570-571), stating that it must always be understood even when not explicitly asserted, that the same effect would be produced by the employment of additional capital and labor upon land already in cultivation, as upon new land of an inferior quality. Rent was defined as "the difference of produce obtained with equal capitals, and with equal labour on the same, or on different qualities of land." In the second edition of the "*Principles*," this consideration was re-stated with greater clearness, and detailed attention given (p. 518; cf. "*Works*," pp. 251-252) to Say's notes in the French translation ("*Des Principes*," I, 95, 249, 250; II, 182, etc.), which Ricardo had only seen "since this edition was in the press." In the letter to Say, noted above, Ricardo made the same correction, and in reply Say at once admitted its justice. Cf. Say, "*Mélanges*," pp. 104, 107.

VI.¹

UPPER BROOK STREET, LONDON, 7 April, 1819.

DEAR SIR,

It is a long time since I had the pleasure of hearing from you, and as I am not willing that our correspondence shall wholly cease, I write now without having anything to say that you may think worthy of a letter. To put you in good humour with me I will begin with telling you that your essay on Money in the last *Edinburgh Review*² is universally admired. It is acknowledged by all the competent judges on that subject, to be a sound and able view of that department of Political Economy. You have I am sure been the means of affording the most useful instruction to many members of the Committees of both Houses,³ and as for myself, I am under great obligations to you, for my plan might have slumbered, or have been forgotten, if you had not rescued it from oblivion, and said more in its favor than I had been able to do. You will be pleased to know that an investigation into the probable results of adopting that plan, or some modification of it, has formed one of the leading subjects of examination, by both committees, and from the speech of Mr. Peel, as well as from those of Mr. Canning, and the Marquis of Lansdown,⁴ I have very little doubt but that it will be recommended, as a temporary, if not a permanent measure, in both reports. If so, we shall have the merit of having at least acceler-

¹ Cover wanting.² See above, p. 17.³ See Note following this Letter.⁴ Upon the Bill accompanying the preliminary Reports of both Committees, to restrain the Bank of England from paying in specie its notes under £ 5, and those issued previous to January 1, 1817. See Hansard, "*Parliamentary Debates*," vol. xl, 1397, 1399, 1411, 1421.

ated the return to a sound unfluctuating system of currency, for it is impossible to describe to you the alarm of the Bank Directors at the thoughts of providing coin for that purpose. They have officially declared that not less than 30 millions would be necessary, besides the usual reserve; and yet they have opposed every obstacle to a scheme which will render such a provision unnecessary. The Bank Directors, alone, with two or three very distinguished exceptions, and they young men, have made no progress in correct ideas on the subject of money since the last committee sat. They still maintain as a Court of Directors, though not individually, that they cannot believe that the rise or fall of the exchange has any connection with the amount of their notes¹—they still maintain that the high price of bullion in their depreciated medium, means the same thing as a high exchangeable value of bullion in all other things—and they still maintain that their issues have rather been too moderate than excessive.² Happily the committees are better informed, and I think we may anticipate a report which will recognize all the important principles of the science, as far as it regards money.

You will have seen that I have taken my seat in the

¹ Only a fortnight before (March 25, 1819), the Directors of the Bank had passed their famous resolution—not rescinded until 1827—that, "This Court cannot refrain from adverting to an opinion, strongly insisted on by some, that the Bank has only to reduce its issues to obtain a favourable turn in the exchanges, and a consequent influx of the precious metals. The Court conceives it to be its duty to declare that it is unable to discover any solid foundation for such a sentiment." See Tooke, "History of Prices," vol. ii, p. 54, note.

² In his first important speech in Parliament (May 24, 1819) on Peel's resolutions upon the resumption of specie payments, Ricardo asserted that "the House did not withdraw its confidence from the Bank from any doubt of its wealth, or integrity, but from a conviction of its total ignorance of the principles of political economy." See Hansard, "Parliamentary Debates," vol. xi, 746.

House of Commons.¹ I fear that I shall be of little use there. I have twice attempted to speak² but I proceeded in the most embarrassed manner, and I have no hope of conquering the alarm with which I am assailed the moment I hear the sound of my own voice.³

¹ As member for Portarlington, an Irish pocket borough, in Queen's County. The importunities of friends had induced Ricardo to attempt to enter the House at the preceeding general election (June, 1818), but he was unable to do so. This was not entirely to his own regret, for he wrote to Malthus under date of June 24, 1818, "the certainty of a seat could hardly compensate me for the disagreeables attending the negociation for it," ("Letters of Ricardo to Malthus," pp. 151-152). McCulloch states that Ricardo was understood to have lent £20,000 to the proprietor of the Portarlington borough, free of interest, on condition that the latter returned him free of expense. Ricardo, he adds, never indeed saw the borough which he represented, and could in consequence speak and vote without being influenced by the opinions of his constituents. See "Sketch of the Life and Writings of David Ricardo, Esq., M. P.," in McCulloch, "Treatises and Essays, etc.," (2nd edit., 1859), pp. 555-556, note; this note is omitted in the memoir of Ricardo prefixed to McCulloch's edition of Ricardo's collected "Works." It was generally known that Ricardo had entered Parliament "by virtue of his breeches pocket," as Mrs. Grote records ("Personal Life of George Grote," p. 21); but the method was too familiar and the ability of the candidate too generally recognized to involve any discredit. Mr. Cannan adds that Ricardo was elected on February 20, 1819, in place of Richard Sharpe, Esq., of Mark Lane, who had accepted the Chiltern Hundreds (*Economic Journal*, vol. iv, p. 248). His name is first mentioned in a division list on March 2, (Hansard, "Parliamentary Debates," vol. xxxix, 846).

² The first time on March 25, 1819, on a bill to prevent the misapplication of the poor-rates; and again on April 5, 1819, on the First Report of the Committee on the Resumption of Cash Payments. See Hansard, "Parliamentary Debates," vol. xxxix, 1158, 1408. His first really important speech was made on May 24, 1819, on Peel's resolutions on Resumption. McCulloch notes ("Works," xxvii) that even on this occasion, he did not rise until he was loudly called upon from all sides of the House. The report of the speech in Hansard is punctuated with marks of a cordial reception and concludes, "The hon. gentleman sat down amidst loud and general cheering from all sides of the House." Hansard, vol. xl, 742.

³ This paragraph is quoted in McCulloch's biographical sketch of Ricardo, prefixed to his edition of the "Works," and also contained in the volume of "Treaties and Essays." It appears as a citation from a letter of Mr. Ricardo "to one of his friends."

We are promised two works on Political Economy, one from the pen of Mr. Malthus¹—the other from that of Major Torrens.² I am well acquainted with the opinions of both these gentlemen, and though I think they will assist in disseminating many sound principles, yet I think they adhere too firmly to their old associations to make a very decided progress in the science. You are the person who ought to give us a complete system of Political Economy, written in so popular a way as to be easily understood by the generality of readers; nobody could do it better, as all will testify who have read your two articles in the Review and your essay on the Corn Trade. I was introduced yesterday by Sir James Mackintosh in the House of Lords, to Monsr. Sismondi [*sic*], who is on a very short visit to this country. He has just published a book on Political Economy,³ in which he has endeavoured to shew the fallacies of my opinions. He told me that he differed from Say also. I have great curiosity to see his book, as by the few words which passed between us he does not appear to agree with any of our known writers.

You may perhaps have heard that my brother Ralph is married, and has relinquished his travelling scheme. He has long been thinking of matrimony, but deferred it so long that all his friends thought it would be his fate to die a bachelor. He has a young and an agreeable wife, and is comfortably settled at the moderate distance of 10 miles from London.

¹ See Letter XII, below.

² Fulfilled in 1821 in "An Essay on the Production of Wealth; with an Appendix in which the Principles of Political Economy are applied to the Actual Circumstances of this Country." The "Appendix" never appeared.

³ "Nouveaux principes d'économie politique, ou de la richesse dans ses rapports avec la population." 2 vol. Paris, 1819.

I hope I shall soon have the pleasure of hearing from you—I suppose that I must not expect to see you for the present in this country. I wish I might—your visit would give me great satisfaction.

Believe me, dear Sir,

Very truly yours,

DAVID RICARDO.

NOTE.—Light is thrown upon the preceding and following Letters by a consecutive narrative of the facts leading to the passage of the Act for the Resumption of Cash Payments (59 Geo. III. c. 78). On February 2, 1819, the Earl of Liverpool moved in the House of Lords, a resolution for the appointment of a Secret Committee "to inquire into the state of the Bank of England with a view to the Resumption of Cash Payments at the period then prescribed by law." A similar resolution was moved in the Commons on the same day by the Ministry. Committees were chosen in both Houses, with "a large preponderance of ministerial members," and proceeded at once to hear evidence and examine witnesses. Ricardo had just taken his seat in the House of Commons and was examined at length both before the Commons Committee and that of the Lords. In the beginning of April, short reports were presented by the Committees, recommending as a step preliminary to complete resumption, that the Bank be restrained from paying in specie all notes under £5, together with those issued previous to January 1, 1817, according to its published notices. After some debate the proposed bill was passed by both Houses (1 and 2 Geo. IV. c. 26). A month later the detailed reports were presented. The Committees agreed in recommending with slight modifications (see Letter VII), the plan suggested by Ricardo in his "Proposals for an Economical and Secure Currency," and restated in his testimony before the Committees. This plan was submitted to the two Houses in a series of resolutions, which, after debate, actively participated in by Ricardo, were agreed to without a division. Bills embodying these resolutions were promptly presented, and en-

countered little opposition in passage through either House. See Hansard, "*Parliamentary Debates*," vol. xxxix, xl, *passim*; also Miss Martineau, "*History of England during the Thirty Years Peace*," vol. i, pp. 212-215.

VII.¹

LONDON, 8 May, 1819.

MY DEAR SIR,

The public papers will have informed you, better than I could have done, of the substance of the Report from the Bank Committee,² which was read in the House of Commons on Wednesday last. As I knew you would get correct information from that source, I did not write immediately after I became authentically informed of the plan which the Committee recommended. The Committee have deviated in two points from the plan as originally suggested. They think that the bars of bullion delivered by the Bank, in exchange for notes, should be assayed, and stamped, at the mint, and they have advised that after 1823, at the latest, we should revert to the old system of specie payments. Perhaps, in both instances, they have done right, for the Bank persisting in the most determined opposition to them, they were under the necessity of having the bullion stamped, that it might be legally called money of a large denomina-

¹ Cover wanting.² "Second Report from the Secret Committee on the Expediency of the Bank resuming Cash Payments," in Hansard, "*Parliamentary Debates*," vol. xl, 152; also separately printed with "First Report, Minutes of Evidence, and Appendix." London, 1819.

The practical recommendations of the Second Report were that after February 1, 1820, the Bank should be liable to deliver gold, not less than 60 ounces in amount, of standard fineness, mint assayed and stamped, for notes at the price of £4 1s. per ounce in exchange; that on or before October 1, 1820, this price should be £3 19s. 6d. in exchange, and that on or before May 1, 1821, it should be at the old standard rate, £3 17s. 10½d. Also that this liability should continue for not less than two, nor more than three years from May 1, 1821.

tion, and that the Bank might not raise a clamour against them for having imposed upon that corporation the obligation of paying in bullion, from which they said their charter protected them. In the second place, they had to contend with public prejudice, and perhaps too with prepossessions which they themselves felt in favour of coin. If no inconvenience is suffered from the working of this plan for the next 5 years, the Bank will be amongst the foremost in contending that it should be adopted as a permanent system. I have been very much surprised that with the opportunities for making large profits, which the monopoly of the Bank has given them, their surplus capital does not exceed 5 millions. How very much they must have mismanaged their affairs. With good management they ought to have been possessed of double that sum. The Bank have uniformly contended that they have not issued too much paper. It will hardly be believed that in Aug. 1814, their loans to Government, alone, amounted to the enormous sum of 35 millions. In Feb. 1816, they sank to about 20 millions, were seldom less after that time than 27 to 28 millions, till the present year, when they again fell to 23 millions. An account will be published in Appendix to the Lords' report of the quantity of silver and gold coined at the mint since 56 Geo. 3 (1816) to Jan. 1819,¹ also an account of the expence attending such coinage,² from which a tolerably accurate estimate may be made of the expence attending

¹ "First and Second Reports by the Lords Committees appointed a Secret Committee to enquire into the state of the Bank of England with reference to the expediency of the Resumption of Cash Payments; with Minutes of Evidence, and an Appendix," London, 1819; reprinted in 1844, Appendix D. Return is made of the amounts coined between 1760 and 1819.

² This does not appear in the printed Report.

the coinage for any particular year, or any number of years. I fear that ministers would not give me so particular an account as that which you suggest.

I thank you for making me acquainted with Mr. Leslie.¹ I have as yet only seen him for a few minutes. I have so little information to give you that it is hardly worth troubling you to read my letter, but it is the best I have, and therefore you must not complain.

I thank you for the various numbers of the Scotsman which you have sent me, but I beg you will not trouble yourself to do so in the future, as I never miss reading them at Brookes', where they are taken in. I had read, before I received it from you, the paper of the 17th of April, and was highly pleased with it. I am sure that it cannot be answered. I am doomed every now and then to hear the grossest absurdities on the subject of the agricultural interest and the necessity of upholding it by further restrictions on the importation of corn, in the House of Commons, and wish that I had the talent of repelling these foolish arguments with my tongue as ably as you do with your pen. They should not then go without an answer.

Believe me with great esteem,

Yours very sincerely,

DAVID RICARDO.

¹ Probably John Leslie, the distinguished mathematician and natural philosopher, who occupied the chair of mathematics and later that of natural philosophy at the University of Edinburgh. He was a contributor to the *Edinburgh Review*, and wrote many of the articles on physical science for the "Supplement to the Encyclopædia Britannica."

VIII.¹

LONDON, 22 June, 1819.

MY DEAR SIR,

I have too long neglected answering your kind letter, but I have been much engaged; and indeed my energy has been a little impaired by the late hours which the business of the House has compelled me to keep for the last 2 or 3 weeks.

I hope that you have received the Lords' Report on Bank Affairs, which I sent you by the mail. That Report contains an account of the yearly average of Bank notes in circulation for more than 20 years, and is I think precisely the document which you wished to see.²

I thank you for your endeavors to inspire me with confidence on occasion of my addressing the House. Their indulgent reception of me³ has in some degree made the task of speaking more easy to me, but there are yet so many formidable obstacles to my success, and some, I fear, of a nature nearly insurmountable, that I apprehend it will be wisdom and sound discretion in me to content myself with giving silent votes.⁴

There is a disposition among many of the best informed of the two committees to adopt my plan of currency as a permanent regulation, but they think that it will have more chance of finding supporters, after it has been tried for a few years. I am of the same opinion,

¹ Cover wanting.

² "Report," Appendix B, pp. 320-330.

³ See note 2, page 24, above.

⁴ This paragraph is quoted, with a slight verbal change, in the biographical sketch of Ricardo prefaced to McCulloch's edition of the "Works" (p. xxvi), and inserted in the volume of "Treatises and Essays," (p. 556). It is described as an excerpt from a letter of Mr. Ricardo to "one of his friends."

and only object to the Bill just passed,¹ because it will impose on the Bank the obligation of buying gold, and preparing for coin payments in 1821, although such payments may never be necessary.

I fear I cannot obtain the account of the expence of the Mint Establishment for so long a period as you mention. I am sure that Ministers would object to give it, and I am too young a member to move for it without previously knowing that it would be granted.

Bills are bought and sold on the exchange by brokers, who make themselves acquainted with the state of demand and supply. There is a difference in the price of bills, accordingly as they are drawn on persons, and by persons, of undoubted credit. There are also middlemen, who speculate largely on the rise or fall of the exchange and either buy or sell bills, without being entitled to do so from any previous transaction, on the expectation of the future supply and demand of bills. The practice I believe is this. The brokers go round to the different merchants, and ascertain whether they are buyers or sellers of bills. The man of most influence amongst them, judging of the relations between the buyers and sellers, suggests a price at which all the transactions of the day are settled, with such deviations as particular bills, on account of their being in very high, or very low credit, may be subject to. In the evidence before the committee you will see that merchants in the best credit

¹ 59 Geo. III. c. 49: "An Act to continue the Restrictions contained in several acts on Payment in Cash by the Bank of England until May 1, 1823, and to provide for the gradual Resumption of such Payments, and to permit the Exportation of Gold and Silver." For the actual operation of the plan of bullion payments, until its abandonment in 1821 (cf. Letter xxix, below), see McCulloch's article "Money" in the "Supplement to the Encyclopædia Britannica," vol. v, pp. 509-512.

generally negotiate their bills on better terms than the quoted price.

I hope, Mr., or I believe, Sir W. Scott is recovered from his indisposition. His last novel is just published,¹ but there is so great a demand for the work at present in my house that I have not yet seen it. I shall consent to wave [*sic*] my claim to its perusal till I get in the country. Then also I shall read Sismondi's last work,² which I am prepared to find exactly of the description which you give of it, viz: a work not less extraordinary than that of Dr. Purves,³ if there be really any such person in existence.

You have probably heard that Mr. Mill has got a highly respectable situation in the East India House.⁴ Considering the opinions which he has so freely given of the Government of India this appointment reflects great credit on the Directors. Mr. Malthus, with whom I am very intimate, speaks confidently of publishing his work on Political economy next spring.⁵ When we meet

¹ "Tales of My Landlord," (Third Series), containing "The Bride of Lammermoor" and "Legend of Montrose," was published on June 10, 1819. See Lockhart, "Life of Scott," (Edinburgh, 1862), vol. vi, pp. 85-87.

² See above, p. 25.

³ "All Classes Productive of National Wealth; or the Theories of M. Quesnai, Dr. Adam Smith, and Mr. Gray, Concerning the Various Classes of Men, as to the Production of Wealth to the Community, Analyzed and Examined, by George Purves, LL.D." London, 1817. The author's real name was Simon Gray. He wrote in the following year: "Gray versus Malthus; the Principles of Population and Production Investigated, etc." London, 1818. See Halkett and Lang, "Dictionary of Anonymous and Pseudonymous Literature of Great Britain," 67, 1043.

⁴ Professor Bain states that Ricardo "made great exertions in the city" to secure Mill's appointment. The full title of the office was "Assistant to the Examiner of India Correspondence," and the formal appointment took place on May 12, 1819. See Bain, "James Mill," p. 185.

⁵ See below, Letter XII.

we carry on a most active contest but with the best disposition towards each other possible. Every opinion of his is subjected to the ordeal of a vigorous discussion between us. I tell him that he has in this respect very greatly the advantage over me. The truth is he is too timid and I am too rash.

I shall probably quit London for Gatcomb Park in the middle of July. Whether there or in London I shall be always happy to hear from you. Believe me to be with great esteem,

Yours very truly,

DAVID RICARDO.

IX.¹

[Without date or heading.]

1. There is a trifling error in the figures at the top of page 2. The second line £100,100 should be £100,000, and in the third line £89,100 should be £89,108 for 1 per cent. on 89,108

or 891

make 89,999²

¹ The following memoranda are Ricardo's comments upon McCulloch's article on "Exchange" written for the "Supplement to the Encyclopædia Britannica." The proof-sheets of the article were doubtless sent to Ricardo for criticism (cf. page 20, above) and returned with these suggestions. The letter of enclosure is wanting. In the original MS. the memoranda follow Letter XLIV. Their proper place seems that here given them. On November 9, 1819, Ricardo wrote to Malthus: "I have received a letter also very lately from McCulloch he has been writing an article on Exchange for the Ency. Brit. which is very well done, I think; although I cannot agree with one or two of his definitions," ("Letters of Ricardo to Malthus," p. 165). By December 18, 1819, Ricardo had received the printed sheets of the article. This is evident from the pagination of the references in Letter X of the present collection.

² "Supplement to Encyclopædia Britannica," vol. iv, p. 205. The correction was made as suggested.

The same error of considering a premium of 1 per cent. on one sum to be equal to the discount of 1 per cent. on a similar sum, is committed in another place. If a commodity worth £100 rise to £200, it will rise 100 per cent.; but if it fall again to £100, it will fall only 50 per cent. No commodity can fall 100 per cent. if it retain any value whatever. Apply this observation to beginning of Page 8, where you speak of paper being worth only half its nominal value "or which is depreciated 100 per cent." Should it not be "50 per cent.?"¹

2. I think the cause of the exchange with the country, being favourable to London, is owing to rather an excess of currency in the country. The same cause might produce the same effect, if nothing but coin were used both in London and the country. Diminish the quantity of country currency, and the exchange would be in favour of the country. It never will be so reduced, because it is the interest of Country Banks to maintain the largest amount possible of country circulation.² I cannot help thinking that in all cases an unfavorable

¹ "Supplement to Encyclopædia Britannica," vol. iv, p. 211. This obvious error was not corrected and the paragraph contains repeated mention of a depreciation of 100 per cent. where 50 per cent. is clearly meant.

² *Ibid.*, p. 205. McCulloch's full statement is as follows:

"In Great Britain, London, because of its intimate connection with other parts of the country, occasioned partly by its immense commerce, partly by its being the seat of government, and the place to which the revenue is remitted, and partly by its currency consisting of Bank of England paper, for which the paper currency of the country banks is rendered exchangeable, has become the great focus in which all the money transactions of the empire center, and in which they are ultimately adjusted. In consequence of these various circumstances, but chiefly of the demand for bills on London to remit revenue, and of the superior value of Bank of England currency, the exchange between London and the other parts of the country is invariably in its favour."

No use seems to have been made here of Ricardo's criticism.

exchange may be traced to a relative redundancy of currency. Suppose a country to carry on its circulation with coins, its market and mint price of gold to be the same, and its exchanges at par with other countries. Now suppose gold to be in great demand for our manufactures, its price would rise above the mint price, if the coin could not be readily converted into bullion; but it would be converted into bullion, and consequently the coin being reduced in quantity, would rise in exchangeable value with other commodities. A fall in the value of commodities here would encourage the exportation of goods and the importation of gold, and thus by an influx of gold would our currency be again increased in quantity and lowered in value, and till it was so, the exchange would be favorable to England. But suppose England to carry on its circulations by means of paper only, not exchangeable for gold, and the same demand for gold to arise for our manufactures, gold would rise, estimated in paper, and therefore with the same computed exchange as before it might be advantageous to import gold. But even in this case, it may, I, think be justly said that the exchange was unfavorable to the foreign country because its currency was relatively redundant. Bullion is the commodity in which the value of currencies would be estimated. That of England would be lowered in value, for it could command, after the rise in the price of bullion, fewer ounces than before. Those of Foreign Countries (within the limits of the expences of transmission) would be the same as before. Bullion or coin would purchase the same quantity of commodities abroad as before; in England it would purchase more. The same quantity of paper in England would be equivalent to a less quantity of gold; the same quantity of foreign money would be equivalent

to the same quantity of gold. The exchange would vary on account of the relatively higher value of the currency of the foreign country.¹

3. You say that the price of Foreign Bills of exchange depends entirely on two circumstances: "first, on the value of the currency at the place where they are made payable, compared with the value of the currency, at the place where they are drawn; and secondly, on the relation which the supply of bills in the market bears to the demand."² From what I have said, you will perceive that I see no difference between these two causes; they appear to me to be one and the same. The supply of bills and the demand for them must depend on the previous purchases and sales of goods in the two countries, and these are entirely influenced by relative prices. But relative prices are determined by relative value or quantity of currencies. Increase the quantity of currency in France, goods will rise in France and will be exported thither from England. Bills on France will fall in England, bills on England will rise in France. The demand and supply will be strictly regulated by the relative value of the currencies of the two countries. Double the quantity of currency in England and commodities will rise to double their former price in England, and twice the quantity of the money of England will be given for the former quantity of the currency of France. This is undoubtedly a mere nominal alteration, the real value both of commodities and bills will be the same as before. In fact the real par is altered and nothing else. Instead of ascertaining the par by a consideration of what the pound sterling was formerly worth, it should be computed with refer-

¹ By a slip, Ricardo writes "currency" for "country."

² "Supplement to Encyclopædia Britannica," vol. iv, p. 206.

ence to its present value, which is to be known by the value of the bullion which a pound can command. We mean the same thing, but I doubt whether there be any advantage in the distinction which is drawn between real and nominal exchange; by correcting the par with every alteration in the bullion value of money, all would be clear. *See the end of this paper.¹

4. In the article on Foreign Exchange, you say "the price of foreign bills depends on the value of the currency at the place where they are made payable, compared with the value of the currency at the place where they are drawn."² But soon after it is said that "the comparative value of the currencies of particular countries must depend, 1st, on the relative value of bullion in those countries; and 2ndly, on the quantity of bullion contained in their coins, or on the quantity of bullion for which this paper money, or other circulating medium will exchange."³ Do you not then mean to say that the price of foreign bills depends on the relative value of bullion in the countries between which they are negotiated? Under some circumstances you agree with me that bullion might possess a higher value in Poland than in England; but a bill on France for 10,000 francs would not vary in either of those countries on that account; the same quantity of bullion must be paid in both for the bill on France, without any regard to the quantity of corn or labour that can be commanded by it. It is true that the expences of sending bullion from France to Poland may exceed the expence of sending it to England, but this circumstance will not alter the par; although it will allow of a greater deviation in the ex-

¹ Page 44 below.

² "Supplement to Encyclopædia Britannica," vol. IV, p. 206.

³ *Ibid.*, p. 207.

change from par between the more distant countries, before bullion moves to stop the rise or fall of the exchange. I cannot help thinking that the language of the Bullion Report¹ is correct, and that it would introduce a new and less satisfactory definition if we were to allow of these expences in estimating the par of exchange between different countries. Suppose that the expence of sending silver from Poland to France or from France to Poland, to be 5 per cent., it would in my opinion be correct to say that the exchange was at par when 100 ounces of silver in Poland would purchase a bill for 100 ounces of silver payable in France. According to your explanation, I do not know whether you would estimate it to be at par when 105 ounces were given in Poland for a bill of 100 ounces payable in France, or when 105 were paid in France for a bill of 100 ounces payable in Poland. The restraints laid on the exportation of gold may lower its relative value in Spain 3 per cent., and therefore if from that which is usually called the par, there should be a difference in the computed exchange of 3 per cent. against Spain, that deviation may as justly be called a nominal deviation, as if it were occasioned by an abundant paper money not convertible into bullion. The market price of bullion that could be legally exported would in Spain be 3 per cent. above the mint price.

5. In this paragraph the word 'value' has an ambiguo-

¹ "The par of exchange between two countries is that sum of the currency of either of the two, which, in point of intrinsic worth, is precisely equal to a given sum of the other, that is, contains precisely an equal weight of gold and silver of the same fineness" ("Bullion Report," 8vo. ed., p. 22). This definition is quoted by McCulloch and characterized as obviously incorrect, since exchange between two countries can only be at true par when adequate allowance has been made for the difference of value of bullion in the two countries. See "Supplement to Encyclopædia Britannica," vol. iv, p. 207.

ous meaning. In the first sentence I understand whatever occasions a rise or fall in the relative *value* of the precious metals estimated in commodities must proportionably affect the nominal exchange with other countries, in which I agree, if you suppose that the precious metals can be forcibly detained in such country. If they are free to pass, I think it is the real exchange which will be affected, altho' the exportation of the metals will not continue till the exchange is at par. It may remain for a very considerable time unfavorable to the exporting country, within the limits of the expences of transmitting bullion. When you speak afterwards of the "differences between the value of the precious metals in the home and foreign market," in what do you estimate that value? If you say in goods, I ask in the goods of which country?¹

6. This would depend on the abundance of the clipped money.² If not in excess the real par would or

¹ "Supplement to Encyclopædia Britannica," vol. iv, p. 208. The first sentence quoted refers to the measure of the premium or discount upon bills of exchange in the event of a rise or a fall in the relative value of the precious metals. The ambiguity was made less glaring but not removed by changing the phrase so as to read that, in the case of a fall in relative value of the currency of the home market, "Foreign bills would sell for a premium, the amount of which would be precisely equal to the excess of the value of the precious metals in the foreign market, caused by their redundancy in the home market;" and conversely in the case of a rise in the value of the home currency.

² *Ibid.*, p. 209. McCulloch's contention was that the coins of any country, being more or less worn, seldom corresponded exactly with the mint standard and that an allowance equivalent to the difference between the actual value of the coins and their mint value, must be made in estimating the exchange. Ricardo's criticism was doubtless responsible for the insertion in the printed text of a qualifying footnote:

"It is necessary to observe, that it is here supposed that the clipped or degraded money exists in such a degree of abundance as only to pass current at its bullion value. If the quantity of clipped money were *sufficiently limited*, it might, notwithstanding the diminution of weight, pass current at its mint value; and then the *par* would have

ought to be estimated, not by what the coin contained of pure metal, but what it would have contained if not clipped. The depreciation of the currency is inferred as a necessary consequence of a clipped coin.

7. On this the same remark may be made as on 6. If the coin notwithstanding the seignorage passes current at a high value, the par of exchange ought to be regulated by such current value.¹

8. Does not this paragraph confirm the above opinion?² The real par is justly estimated by the current value of the pound sterling; that current value is depreciated, hence a new real par is, or ought to be, established.

9. Because it rarely happens that the currency of one or other is not redundant. It is redundancy or deficiency which is the cause of balances being paid from one to the other.³

10. We should not have imported a single ounce of bullion from Hamburg, because the real exchange would not be such as to afford a profit on its importation, while there were goods which could be imported to more advantage.⁴

to be estimated, not by its relative weight to foreign money, but by the mint price of bullion. This is a principle which must be constantly kept in view."

¹ "Supplement to Encyclopædia Britannica," vol. iv, p. 210. The sentence was left apparently unaltered: "As it is by their intrinsic worth of bullion that the relative value of the coins of particular countries is estimated in exchange, two coins of equal weight and purity are reckoned equivalent to each other, although the one should have been coined at the expence of the state, and the other charged with a *seignorage*, or duty on its coinage."

² Probably *ibid.*, pp. 210-211, on the rate of exchange between London and Paris.

³ Probably *ibid.*, p. 219, § 3.

⁴ *Ibid.*, p. 219. In reference to the heavy importation of bullion from Hamburg to London, in 1797-98, which Bosanquet and others had cited in disproof of the theory of "a natural flow" of the

11. Provided money did not alter in value.¹

12. This is true if the prices of goods do not vary from the same cause that the exchange varies, namely a superabundance of money in one of the two countries.²

13. See last observation.³

14. I am rather doubtful of this tendency to disappear.⁴

15. I doubt whether an unusual deficiency in the supply of corn must always materially affect the state of debt and credit with foreign countries. If we import to a greater value, we shall also export to a greater value. If we import an unusual quantity of corn we are less able and willing to purchase the usual quantity of other foreign commodities. The exportation of commodities is supposed here to be caused by the previous effect on the exchange. I believe it to be caused by the unusual importation of foreign goods.⁵

precious metals. Ricardo's comment is doubtless incorporated in McCulloch's text :

"For however favorable the *real* exchange between Hamburg and London might have been to the latter, we should not have imported a single ounce of bullion had it not been, at the time, the most advantageous article with which Hamburg could discharge its debt to London."

¹ "Supplement to Encyclopædia Britannica," vol. iv, p. 219. The qualification is probably incorporated in McCulloch's sentence: "If in return for an exportation of commodities worth *ten* or *twenty* millions, we import commodities worth *fifteen* or *thirty*, we shall, provided money has not altered in value, gain 50 *per cent.* by the transaction."

² *Ibid.*, p. 219. This and the following note are probably taken into account by McCulloch in the opening sentences of the paragraph on the "Effect of Fluctuations in the Real Exchange on Foreign Trade."

³ See preceding note.

⁴ *Ibid.*, pp. 219-220. McCulloch's statement is, that fluctuations on the exchange, above or below the true par, are confined within certain limits and have a constant tendency to disappear.

⁵ *Ibid.*, p. 220. The statement criticized was retained unchanged in the text.

16. Here you adopt the usual language and say that the computed exchange with Rio Janeiro would be 5 per cent. in favour of London. As the money of both countries is supposed to be at its mint standard, the computed exchange is the same thing with the real exchange. You agree therefore that the real exchange is favourable to England when it differs from par any part of the expences of transit, and you state the real par to be what the bullion committee defined it, and which definition you quote, page 4.¹ The latter part of the paragraph is, I think, at variance with the first. In the first we are told that when the market and mint prices of bullion agree both in Rio Janeiro and in London, and bullion is transmitted from Rio Janeiro to London at an expence of 5 per cent., the computed, or which in this case is the same thing, the real exchange, is 5 per cent. unfavourable to Rio Janeiro and 5 per cent. favourable to England; but in the latter part we are told that under the very same circumstances, the expence of transit will measure the unfavourable *nominal* exchange. Now by nominal exchange I understand you to mean that percentage of the exchange which is caused by the depreciation of money in either country. But you have not explained what you mean strictly by depreciation of money. I thought you always meant to measure depreciation of money by the agreement of its market with its mint price, but in this place you speak of another depreciation, of relative depreciation. If the exchange be 5 per cent. against Rio Janeiro, and money therefore comes to England, I agree with you that it is to that amount relatively depreciated in Rio Janeiro; 105 ounces of silver in one place is really paid to obtain 100 ounces in the other; but the exchange which is the consequence of

¹ See p. 38, above.

this relative depreciation should I think be called real, and not nominal. If you dispute this, I do not know what you would call a real favorable exchange. If there were no expences whatever in sending bullion from one country to another, the exchange would never deviate from par. It would be as invariable as the price of bullion is in countries where money is freely exchangeable for bullion on demand. It appears to me essential that a very marked line should be drawn between actual and relative depreciation of money. There can be no unfavourable exchange without relative depreciation; the exchange may be still more unfavourable because of actual depreciation. In this case relative depreciation will be increased. I think we agree in principle. I object to the language.¹

17. Adopting your language, and making your allowances the exchange can never *be very different from par*. You say "Had the *computed* exchange been less unfavourable, it would have shewn that the real exchange was in favour of London." It could not be either more or less unfavorable and therefore the real exchange could be only at par. Money can be relatively depreciated only from two causes—one, the actual depreciation of its value from its bullion standard; the other, the expense of sending it from one country to the other. The latter is always the range within which the real exchange varies. You add these together, and then say if there be anything more than these, in the deviation from par of the computed exchange, then only is the exchange

¹ "Supplement to Encyclopædia Britannica," vol. iv, p. 223. Ricardo's criticism doubtless induced McCulloch to strengthen his own position. In the printed text "computed exchange," as used in the early part of the paragraph, is identified with "nominal" instead of with "real exchange." The phrase "relative depreciation of the currency" is avoided.

really unfavorable. I ask how can it deviate more, the computed exchange being an accurate exponent of relative depreciation?¹

18. I agree with the argument here, but I think the word 'relative' in the expression of "relative redundancy" should be left out. A real unfavourable exchange, which it is acknowledged facilitates exportation, is always in my opinion accompanied, and may be said to be caused by relative redundancy.²

*On further reflection, there may I think be real use in the distinction drawn between the nominal and real exchange, but the distinction should be clearly defined. The exchange may be said to be nominally affected to the amount of the difference between the market and mint prices of bullion, and be really affected by any deviation from par exceeding or falling short of this difference. You have I think so defined them.

X.³

LONDON, 18th Dec., 1819.

MY DEAR SIR,

I have two of your letters now before me, the first dated the 2d Nov., the second the 5th of Dec., and the only excuse which I have to offer for not writing before is that my occupations have been such as to have left me little time for anything else. With your last I received your article on Exchanges,⁴ which I have not been able yet to read throughout; from what I have

¹ "Supplement to Encyclopædia Britannica," vol. iv, p. 223. In the printed text, the criticism is met by italicizing "*real* exchange." McCulloch held that a variation in computed exchange, equivalent to the difference in relative value of currency, was entirely a variation in nominal exchange, and left real exchange at par.

² *Ibid.*, p. 224. The omission suggested was made.

³ Cover wanting.

⁴ See above, IX.

seen of it, I conclude that there will be no other difference between us, but that which forms a part of the subject of your first letter.¹ With respect to that difference too, I think that we cannot clearly understand each other's terms, for I contend for nothing more than is conceded in page 208 of your article, beginning with the words "In estimating the comparative quantity" etc.² You appear there to admit the definition of the par of exchange given by the Bullion Committee, but which, in page 207, you contend to be incorrect. If sugar were the circulating medium of the world, I should think it right to say that the exchange was at par when a bill "which cost 100 hogsheads of sugar in London only brought 100 in Jamaica." You appear to think that this opinion is not quite consistent with that (to which you refer in your letter) in my answer to Mr. Bosanquet. You say you understood me to mean that any given quantity of the precious metals in Spain being worth more than the same amount in South America, that therefore the nominal exchange must be proportionally in favor of the former. If you substitute the words "real exchange" for "nominal exchange," you have exactly expressed my meaning, which I think agrees with the view I now entertain on this subject.³ Your remark that if no expences whatever attended the transmission of the metals from one country to another, the exchange might never-

¹ Probably as to the correct definition of the par of exchange. See above, p. 42.

² McCulloch's full statement is, that a par of exchange is established by ascertaining what amount of the standard currency of any particular country contains precisely as much bullion of the same fineness as is contained in the particular coin of one country selected as an integer or standard of comparison.

³ See "Reply to Mr. Bosanquet's Practical Observations on the Report of the Bullion Committee," (1811), ch. ii, sect. 4, and ch. iv; in "Works" (ed. McCulloch), pp. 320, 338.

theless deviate from par on account of the time necessary to transmit them is quite correct. I consider the loss of interest for the time occupied in transmitting them as a part of the expence.¹

I cannot express how much pleased I am with what you say respecting the article I have written for the Supplement to the E. B., on the Sinking Fund.² I was so dissatisfied with it that I requested Mr. Mill, who transmitted it to Mr. Napier, to tell him that I hoped he would use no ceremony in rejecting it, if he thought it unworthy of a place in his work. What you say of it is most gratifying, and if the public think only half as well of my efforts, I shall be amply recompensed for my fears and anxiety. You have spoken too favorably of the article to make it prudent in me to attempt the alteration you propose. It is highly probable that I should make it worse rather than better, by further meddling with it. You judge of me by yourself, a standard by which I should be glad if justice would permit me to be tried. You can transpose passages, and new model the productions of your pen with great facility. I with the greatest difficulty. To compose is to you an easy task, with me it is a laborious effort. I must not then risk spoiling an article which is distinguished by your approbation. Other engagements and pursuits too would probably interfere to prevent me

¹ Cf. "Reply to Mr. Bosanquet's," etc., ch. ii, sect. 1; in "Works," (ed. McCulloch), p. 315.

² "Supplement to Encyclopædia Britannica" vol. iv, pp. 410-426. The article is signed by the fictitious initials "E. E. E." Cf. *ibid.*, vol. vi, xxiv. It is reprinted in "Works" (ed. McCulloch), pp. 515-548. For the circumstances under which the article was undertaken, for Ricardo's characteristic distrust of his own ability to write it, and for his reluctance to receive any remuneration therefor, see "Correspondence of Macvey Napier," p. 23; Bain, "James Mill" pp. 190-191; "Letters of Ricardo to Malthus," (ed. Bonar), pp. 157-158, 165.

from paying that attention to it which would be required.

You will see by the papers that I attempted in the House to express in a short speech some of the opinions which I hold on the questions which circumstances have rendered particularly interesting at this time.¹ My difficulty in speaking is as great as in writing, and therefore I cannot judge how far I succeeded in making my audience understand what I offered. I touched slightly on the subject of free trade, which you have treated of in so able a manner.² To institute the necessary improvements in our system requires firmness and perseverance—qualifications which we shall not find in our present ministers. They appear to be satisfied when they have removed an immediate difficulty by deferring the pressure for one or two years.

Col. Torrens shewed me the paper which is a copy of the one he sent to you.³ I am more convinced than

¹ On December 16, 1819, Ricardo spoke on Sir W. De Crespigny's motion for the appointment of a select committee "to inquire into the plan of Mr. Owen for ameliorating the condition of the lower classes." Although observing that 'he was completely at war with the system of Mr. Owen, which was built upon a theory inconsistent with the principles of political economy and in his opinion was calculated to produce infinite mischief to the community,'—Ricardo was disposed to accede to the appointment of a committee, as an agency likely to 'circulate useful information and correct prejudices.' The greater part of his speech, as reported, is devoted to a consideration of the causes of national distress. These he considered to be, generically, the insufficiency of capital and the consequent disproportion between wages and population; specifically, the effects of the corn laws, of the fetters upon trade, and of the burden of the national debt. See Hansard, "Parliamentary Debates," vol. xli, 1206-1209.

² In the article "Corn Laws and Trade" in the "Supplement to the Encyclopædia Britannica" and in the *Edinburgh Review*, No. LXIII (July, 1819), Art. III, on "Commercial Embarrassment—Trade with France."

³ Perhaps, "A Comparative Estimate of the Effects which a Continuance and a Removal of the Restriction upon Cash Payments are respectively calculated to produce; with Strictures on Mr. Ricardo's

ever that the great regulator of value is the quantity of labour required to produce the commodity valued. There are many modifications which must be admitted into this doctrine, from the circumstance of the unequal times that commodities require to be brought to market, but this does not invalidate the doctrine itself.¹ I am not satisfied with the explanation which I have given of the principles which regulate value. I wish a more able pen would undertake it. The fault is not in the inadequacy of the doctrine to account for all difficulties, but in the inadequacy of him who has attempted to explain it.

After I shall have read Mr. Malthus' next work,² that I mean now in the press, I shall be able to make up my mind whether his abilities as a political economist have not been over-rated. I confess that his dangerous heresy on the corn laws³ affords a strong presumption in favor of the conclusion to which you have arrived.⁴ I will be obliged to you to send me the Scotsman, and to inform me at the same time to whom I am to pay the subscription for it here. I want to know this not only on my own account, but on account of my brother Ralph who is uneasy at the arrears of his debt.

Proposal for obtaining a Secure and Economical Currency." London, 1819. But cf. note, p. 15, above.

¹ See p. 14, above.

² See note 2, p. 59, below.

³ Malthus' "Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn" (1815), asserted it to be both "wise and politic . . . to restrain the free importation of foreign corn" (p. 42). This position was restated in detail in the "Essay on the Principle of Population," (5th ed. 1817), vol. ii, bk. ii, ch. 11, 12. As Dr. Bonar says: "From Malthus himself the old leaven of protectionism was never wholly purged away." See "Malthus and his Work," bk. ii, ch. 1.

⁴ For McCulloch's estimate of Malthus's "Principles of Political Economy," see the former's "Literature of Political Economy," p. 18.

Before I received your letter, I asked Col. Torrens to put me in the way of becoming a subscriber to that newspaper.

I remain with great esteem, my dear Sir,

Very truly yours,

DAVID RICARDO.

XI.¹

LONDON, 28 Feb., [1820].²

MY DEAR SIR,

It is a long time since I have written to you, and now I fear I have little to say worthy of engaging your attention. The death of the King³ has suspended all public business, and the great object of interest with all those by whom I am surrounded is the approaching election. To some it is an object of hope, and to others of fear, but as far as regards the strength of the two parties opposed to each other, I am told by the learned in those matters, that the ensuing parliament will not materially differ from the present one. My seat I believe is very secure. I shall represent the same place for which I am now returned. There has not been the least foundation for the report that I was to be a candidate for the County of Gloucester. I have not been invited to become such, nor if I had been, should I have consented to embark on so perilous an undertaking as a contest with the family of Beaufort. Col. Torrens will I fear have little chance of success at Rochester, and the

¹ Franked by himself. Cover dated, "London, February twenty-eight, 1820," and addressed "J. R. M'Culloch, Esq., College Street, Edinburgh."

² The MS., by a slip of the pen has 1821; cf. events within described and date of superscription.

³ On January 29, 1820.

probability, I think, is, that he will decline going to a Poll.¹

I read with great pleasure the able articles which I see every week in the Scotsman. They continue to advocate, the good cause without being betrayed into violence and intemperance of language. For the support which you have given to my hint in the House of Commons about the payment of the National Debt I am grateful.² It always gives me satisfaction to find my opinion confirmed by yours, and I am glad to know that you think it desirable that we should submit to the necessary sacrifices, to get rid of the overwhelming incumbrance which palsies all our efforts. The stockholders are a very unreasonable class, and in all their remarks on my proposal, complain bitterly of my thinking they should not receive more than 70 for their 3 per cents. I do not know what they would say to you, who propose to pay them only at 40.³ A Reformed House of Commons, if ever we should possess so great a good, and if we should not, the debt I believe may as well remain as it is, should on this question of price do strict justice between the payers and receivers of taxes, and not heed the clamour which the selfish on either side should raise. From what I observe I am confident that this will not be the mode in which we shall get rid of the debt. Our

¹ In the new Parliament of 1820, Rochester was represented by Ralph Bernal, Esq. and Lord Binning.

² Speaking on Dec. 24, 1819, on a petition of London merchants respecting commercial distress—to be distinguished from the more important petition of May 8, 1820 (p. 63, below)—Ricardo advanced his characteristic views that the national distress was due to the relative scarcity of capital, and that this was in turn largely caused by the burdens imposed by the national debt. As a remedy he advised that the whole capital of the country be assessed for the discharge of the public debt. See Hansard, "Parliamentary Debates," vol. xli, 1576.

³ Cf. page 1, above.

burthens may, and will probably, continue to weigh us down for many years to come, but finally they will be forcibly thrown from our shoulders, and the stockholders instead of complaining, with injustice, as I think, that they were not to be paid at 100 for their 3 per cents. will have justly to complain of losing both their principal and interest.

The landholders—those concerned in Agriculture, are loud in their complaints of the present corn laws, and will I expect make a forcible appeal to Parliament for their improvement as they will call it. If we are to have laws to protect the landed interest, I agree with the complainers that they should not be in the form in which they now exist, for they are calculated to produce the most mischievous variations in the price of corn, which can neither be desirable to the grower nor to the consumer. A permanent tax on importation, to the amount only of the peculiar taxes to which the growth of corn is subject, would be, I think, the wisest policy; but it is probable that such a limited tax would be far from satisfying the landed interest. We should then have to choose¹ between a higher permanent tax, or a tax varying with the price. If the object be to sustain the price of corn at 80s. per quarter, it might be allowed to enter duty free when at that price; to pay a duty of 1s. per quarter when it fell to 79, 2 when it fell to 78 and so on. A serious objection against this latter mode is that 80s. would become in some measure the maximum of price, whilst no means could be adopted to fix a minimum. The corn grower would not have much chance of selling his corn under any circumstances above 80s., but there is no limit to the low price, at which on other occasions, he might be forced to sell. This is a disadvantage to which no other

¹ Here, as elsewhere, written "chuse."

trade is exposed; if a manufacturer be subject to a glut of his commodity, and consequently to low prices, he is also benefited at times by an unusual demand and high prices. It is true the farmer might make allowances for this peculiar disadvantage, and might therefore insist on a greater general average of profits on that account. If he did so, this would of itself be in its operation a tax on corn, for it would necessarily fall on the consumer, and not on the landlord. Before any discussion takes place in the House of Commons, I mean to refresh my memory with the substance of your excellent article on the Corn Laws. I do not at present recollect whether you have made any observation on that part of the subject on which I have now been writing.

I was very much pleased with Col. Torrens' essay in the last *Edinb. Review*.¹ I do not think there is more than one proposition in it which I should be disposed to dispute. Mr. Malthus, who passed two or three hours with me last week, was fully persuaded, till I undeceived him that the article was written by you; he could hardly believe that Col. Torrens agreed so completely with the doctrines which both you and I have advocated. Mr. Malthus continues stoutly to deny that demand is only limited by production. He thinks that capital might be very mischievously augmented in a country, and he intends in his new publication to make some remarks on this which he conceives to be an erroneous doctrine on the part of the Reviewer.² His book has been in the press a very long time, and must now be nearly ready

¹ *Edinburgh Review*, No. LXIV (October, 1819), Art. XI, "On Mr. Owen's Plans for Relieving the National Distress;" nominally a review of Robert Owen's "New View of Society," and three of his minor tracts. Cf. "Letters of Ricardo to Malthus" (ed. Bonar), p. 170.

² See Malthus, "Principles of Political Economy," pp. 358, 363, *et passim*.

for publication.¹ In our conversation the other evening, he maintained stoutly the opinions which he has long held, and which I cannot but think very far from being the correct ones. On the whole however he appears to me to have made some approximation to us, and I suspect that in his book the differences between us will not appear so great as they do in our conversations.

I hope your other engagements will not prevent you from bestowing a portion of your time in Political Economy. The science is already greatly indebted to you, but the public mind is not yet so informed as not to stand in need of all the aid which your pen can give it. I hope to see an article of yours in the next number of the Review.

I have lately seen Mr. Leonard Horner. On enquiring of him after you I was glad to find he was acquainted with you, and had so good an account to give of your health. Mr. F. Horner was a great loss to the House of Commons. He was a powerful supporter of all the good principles of Political Economy.²

I am with the greatest esteem,

Yours very faithfully,

DAVID RICARDO.

XII.³

LONDON, 29 March, 1820.

MY DEAR SIR,

I received with great pleasure your kind letter of the 19th inst. and I take advantage of this period of in-

¹ See p. 59, below.

² Francis Horner had died at Pisa on February 8, 1817, at the early age of thirty-nine. His brother, Leonard Horner mentioned above, was living in Edinburgh and had already become prominent as a Whig politician and an educational reformer.

³ Cover wanting.

action to enter into a little discussion with you on some of the points contained in your article on Taxation, in the last number of the *Edinburgh Review*,¹ knowing, as I do, that we have both the same object in view, namely the establishment of truth; and therefore I feel no more hesitation in making you acquainted with my sentiments when they differ from your own, than when we are fully agreed. In the article in question, you have, with your usual force and ability, advocated the great truths of the science of Political Economy, which you have yourself before so satisfactorily and so clearly explained; but there are some minor points on which you touch that I request you to reconsider, and if you detect any error in the reasoning by which I support an opinion contrary to yours, have the goodness to communicate it to me, that I may examine it with that care and attention to which I am sure it will be entitled. The labouring classes in all countries have the very greatest interest in keeping the supply of labour rather under the demand; but they are then most happy when the funds for the support of labour, and consequently the demand for it increase with the greatest rapidity, and their means for supporting their families and contracting of marriages is at the highest level to which it can be raised. It is only because taxation interferes with the accumulation of capital, and diminishes the demand for labour, that it is injurious to the working classes. Sometimes it only retards the rate of accumu-

¹ *Edinburgh Review*, No. LXV (January, 1820), Art. IX, on "Taxation and the Corn Laws." The paper is nominally a review of Barton, "Observations on the Circumstances which Influence the Condition of the Labouring Classes of Society" (London, 1817), and of two minor works. McCulloch attributed the prevalent national distress to the heavy burden of taxation and the evil effect of the corn laws. He urged the reduction of the former and the gradual repeal of the latter.

lation; at other times it arrests it altogether, and on some occasions the taxes by being supplied at the expence of capital itself actually diminish the means of the country to employ the same quantity of labour as before. Wages may be regulated, and may continue for a series of years, on a scale which shall allow the population regularly to increase from year to year in such a proportion as shall double it in 25 years. Under other circumstances this power of doubling may not be possible in less than 50, 100, or 200 years—or population may be so little stimulated by ample wages as to increase at the slowest rate, or it may even go in a retrograde direction. Wages being regulated according to some one of these states may or may not be affected most injuriously to the working classes by taxation. Suppose them to be in that state of abundance as to encourage the doubling of population in 25 years, and suppose a tax to be laid directly on wages, or on the necessaries on which wages are expended, of 20 per cent., what effect will such a tax have on the real comforts of the labourers? None whatever, I answer, unless it diminishes the demand for labour, because it will be immediately transferred to the employers of labour, and will consequently diminish the profits of stock. Suppose wages not to be increased after the tax, every body could employ the same quantity of labour as before, and to that demand would be added the additional demand of government for labour, who cannot expend these taxes without employing soldiers, sailors, and many other labourers. This of itself would soon raise the price of labour, and transfer the burden to the employer of labour. If I before employed 10 gardeners, after wages have thus risen, I may not be able with the same funds as before to employ more than 8, and thus the tax

of 20 per cent. falls on me. No more men are employed, but two men are dismissed from my service, and are taken into the service of Government. The rate of accumulation goes on as before, and no other effect is produced than what would have been produced if a tax of an equal amount had been directly laid on me. Whatever may previously have been the rate of wages, the tax obviously never deteriorates the situation of the laborer unless it diminishes the demand for labor, by affecting the rate of accumulation. Taxes will generally affect the rate of accumulation, and therefore they are generally injurious to the labourer; but when we are carrying on an expensive war and it is necessary to raise large funds within the year, either by loan, or by taxes equal in amount to such loan, the former will I think be most injurious to the labourer, because it will more materially affect the accumulation of capital. If an individual is called upon to pay the annual tax of £100 per annum instead of a sum of £2000 for once only, he will not make so great an effort to save, because he is seldom sensible that a tax of £100 per annum is equivalent in value to £2000—and therefore a system of loans is more destructive to the national capital than a system of heavy taxation to an equal amount.¹

I must quickly dispatch my remaining observations. Page 157. The distress of the poor is considered as synonymous with diminished resources. Suppose a nation to increase its capital annually at the rate of 2 per cent. but that at the same time its population increases at the rate of $2\frac{1}{2}$ per cent., is it not clear that there will be annually new demands on its charitable funds? Its annual net revenue, and with it the means of expenditure and enjoyment to the higher classes of

¹ See Note following this Letter.

society would increase, but would be accompanied with a diminution of happiness, if not positive misery to the great mass of the people.

The employment of machinery I think never diminishes the demand for labour—it is never a cause of a fall in the price of labour, but the effect of its rise.¹ If one man erected a steam engine because it was just cheaper to employ the engine than human labour, and if this were followed by a fall in the price of labour, it would be no other man's interest to prefer also the use of the machine. Loans, then, if made from capital, will be supplied from circulating, and not fixed capital, particularly if the expenditure of government, even with a slight diminution of capital, should as it generally does increase the demand for people. Fixed capital such as buildings, machinery, etc. cannot furnish the means of loans. They, after they are once erected, must be employed as capital or thrown by as useless. You lead the reader to infer that the great discoveries and improvements made by us in machinery and manufactures have been particularly favourable to this country.² Excepting for an inconsiderable portion of time are they not equally advantageous to every other country, even if they are retained in this country only?

You say that the corn laws have the same effect as if a tax of 24 millions and a half were levied from the consumers of corn for the public expenditure.³ I should

¹ McCulloch's statement is: "The fixed capital invested in a machine must always displace a considerably greater quantity of circulating capital,—for otherwise there could be no motive to its erection; and hence its first effect is to sink rather than to increase the rate of wages." See *Edinburgh Review*, January, 1820, p. 171. Ricardo's thought, as expressed above, was on the verge of radical change. Cf. Letters XXIV, XXV, XXVI, below.

² *Edinburgh Review*, January, 1820, p. 168 *et seq.*

³ *Ibid.*, p. 180.

add, provided the 24 millions and a half received by the landholders be all expended as revenue, and no part be added to capital.

Perhaps you may think me fastidiously minute in my observations. I think so myself but my object is to ascertain exactly whether our opinions coincide, or differ. The general reader would perhaps prefer that his attention should not be distracted by the consideration of such niceties and it may not be material that it should. It is however important to my theory of providing for a heavy expenditure when it arises, by taxes within the year in preference to loans,¹ that I should shew that it is more favourable to the accumulation of capital, to the demand for labour, and to the general happiness. The single man amongst the labouring class may bear and often does bear his portion of taxation, but the married labourer has the means of repaying himself by commanding increased wages, unless the amount of the tax is so heavy, however laid, that it disturbs the rate of accumulation.

You must not have the least fear of my compromising my opinion on the Corn laws. I have already spoken out on that subject,² and shall again, if I can muster up courage to speak at all. You know however that I have always maintained that the growers of corn in this country should be protected from any peculiar burdens to which they may be subject, but then they should shew that they are so burthened. The fact I believe is that every other trade is taxed in a proportion greater than the growth of corn. My principle is that we may im-

¹ Cf. "Essay on the Funding System," in "Works," (ed. McCulloch), p. 538 *et seq.*

² See Speeches of December 16 and 24, 1819, briefly reported in Hansard, "Parliamentary Debates," vol. xli, 1207, 1576.

pose restrictions to restore things to their natural relation, but never to destroy it.¹

I have lately been at Mr. Malthus for a couple of days. He shewed me a chapter of his new work, perhaps that in which his difference with me is most particularly noticed.² I am an interested judge and my decision must be received accordingly. To me it appeared to offer no objections which might not be easily disposed of.

After reading this long letter, I am strongly tempted to commit it to the flames. Yet I am so doubtful whether a new attempt to convey my opinions to you will be more successful that I think it most prudent to let it go with all its imperfections. In you I know I have a partial judge ever inclined to view my errors and omissions with indulgence. I remain, with great esteem,

Faithfully yours,

DAVID RICARDO.

NOTE.—The views expressed in the foregoing letter contain Ricardo's general theory of the incidence and economic effect of taxes upon wages and necessities. It is rather surprising to find a less rigid and absolute theory of incidence emphasized by McCulloch. In the article in the *Edinburgh Review* (January, 1820), noted above, he urged that the doctrine that a direct tax upon wages or necessities would fall inevitably upon profits, "must be received with very great modification." Such will be the case only when wages have been reduced to "such a sum as will barely enable the labouring class to exist and to continue their race."

¹ See Letter XXIII, below.

² "Principles of Political Economy Considered with a View to their Practical Application." London, 1820. The work was probably only then leaving the press, although the Introduction is dated December 1, 1819. Cf. pp. 48, 52-53, above. The chapter referred to seems to be chap. vii, "On the Immediate Causes of the Progress of Wealth"; cf. in particular, sect. iii, pp. 351-375.

Ordinarily the result of any considerable increase of a tax upon the laborer is an abandonment of certain comforts before enjoyed. This deprivation soon results in a reduced standard of subsistence, and industrial degradation follows. See *Edinburgh Review*, January, 1820, pp. 161-162. McCulloch adhered to this doctrine in his subsequent writing (see "A Treatise on the Principles and Practical Influence of Taxation and the Funding System," 3rd edit. pt. I, chap. 3), and Professor E. R. A. Seligman has hardly done him justice in this connection. Cf., "On the Shifting and Incidence of Taxation," pp. 76-77.

Possibly as a result of this discussion, Ricardo, in the 3rd edition (1821) of his "Principles," added the following note to the statement, (in chap. xxvi "On Gross and Net Revenue"), that a tax upon wages will invariably be shifted, since wages always constitute the necessary expenses of production: "Perhaps this is expressed too strongly, as more is generally allotted to the labourer under the name of wages, than the absolutely necessary expenses of production. In that case a part of the net produce of the country is received by the labourer, and may be saved or expended by him; or it may enable him to contribute to the defence of the country." (3rd edit., p. 416; in "Works," ed. McCulloch, p. 210).

A similar conclusion is stated in an interesting memorandum, in Ricardo's handwriting, contained in a well thumbed copy of the 1st edition of the "Principles" still preserved in the library at Gatcomb Park, and doubtless Ricardo's own working copy of his treatise. The slip is inserted at the close of chap. viii, ("Taxes on Raw Produce"):

"The labourer is in the same situation which any other manufacturer is in. He gives his labours, and the food and necessities which are actually necessary to support him is [*sic*] the price of that labour, while the additional luxuries and comforts which he can obtain are the profits upon his capital, the labour of his body. Then if we could by any means distinguish these two sums, *viz.* the price given him for labour and his profit upon it, the price given him for labour would be a standard measure of value. Suppose that

in — the sum actually necessary to support a labourer was 3 quarters of wheat ; that he receives £12 for necessities and £12 for profits. Suppose that now he receives £14 for necessities and £6 for profits. Though taxes on Raw Produce, etc. may finally fall upon the consumer and may not affect the interest of the manufacturer and the natural price of labour, yet they do most materially affect its market price, and the labourer will certainly be exposed to great inconvenience till the new state of things shall become established."

XIII.¹

LONDON, 6 April, 1820.

MY DEAR SIR,

I write immediately after the receipt of your letter, because the subject is now fresh in my mind, and I am desirous that we should clearly understand what our difference really is. You appear to me to misapprehend it. I do not deny that war is attended with waste and extravagance, and that its evils, even as far as regards taxation, are by no means limited to the mere transferring of disposable labour from the employment of individuals to that of the state ; on the contrary I fully agree that its usual effects are to destroy or to prevent the accumulation of capital. But I contend that the poor suffer from this dissipation of capital, not on account of the peculiar taxes which are imposed upon them, but on account of the disturbance which it gives to the usual demand for labour. It matters not, I say, whether the taxes be laid on wine, silks, and velvets, the luxuries of the rich, or on the corn and clothing consumed by the laboring class, the specific evil is in both cases not the tax, but the annihilation of capital to which the tax gives rise. Destroy that capital by a loan of 30 millions in the

¹ Cover wanting.

year, with only taxes to pay its interest; or raise the 30 millions within the year by taxes on luxuries, or on the necessities of the poor, and the effect will be the same—the poor will suffer because 30 millions of capital is¹ withdrawn from active employment.

I understood you to advance a very different doctrine in the passage of the article in the Review in page 160 beginning, "The labourer is, in this respect, placed in a much more disadvantageous etc., etc."² I acknowledge that the labourer may be made wretched under adverse circumstances of taxation etc., but it is only because capital is reduced and the demand for labour lessened. If a loan was raised for a subsidy to Russia or if the amount of the subsidy were supplied by a tax of 6*d.* on every quartern loaf, or a tax of £100 on every pipe of wine; provided, in every case, the sum raised was equal in amount, it would be a matter of comparative indifference to the labouring class by which means it should be raised; the great evil is in the amount of the sum raised, and not in the mode of raising it.

When I have read Mr. Malthus' book I will make known to you my opinion on the passages which will be found in it in opposition to our theory. I am flattered by the request. I shall as freely comment on those passages to Mr. Malthus himself. Since we have known each other, we have always freely discussed each other's opinions, and it is a subject of wonder to our

¹ Displacing "are".

² McCulloch's statement is, that a tax upon wages is more disadvantageous to the laborer than a tax upon manufactures or one upon capital is to the master manufacturer or to the capitalist. The latter can reimburse themselves by limiting supply and thus raising price; but the supply of labor can only be diminished by the slow reduction of population and the desired result will not be attained until misery "had been very generally and widely diffused." *Edinburgh Review*, January, 1820, pp. 160-161.

friends that after the innumerable contests we have had together, there should still be such serious difference between us.

The merchants of London have prepared a petition to the House of Commons on the subject of free trade, which you will be pleased to see. I send you a copy of it but I must request you to say nothing of it in print till after it is presented. When its presentation has taken place, I know it would be agreeable to the leading parties in it, if you expressed your approbation of their petition, should it, as I think it will, appear to you to be entitled to it.¹

Believe me

Truly yours,

DAVID RICARDO.

XIV.²

LONDON, 2 May, 1820.

MY DEAR SIR,

In the Scotsman of Saturday last which has just reached me, I perceive with much satisfaction that you have with your usual ability met Mr. Malthus on what I consider his strongest ground.³ I assure you that I am highly gratified in having succeeded so well in my imperfect statements, as to engage you in their defence, for I should have no chance of procuring their admission into other people's mind, without your powerful assistance. From the very complicated nature of the

¹ The petition, which was drawn up by Thomas Tooke, Esq., and signed by many of the leading merchants of London was inserted by McCulloch in his "Literature of Political Economy," pp. 57-58. Cf. note 2, page 68, below.

² Franked by himself. Cover dated, "London, May three, 1820," and addressed "J. R. M'Culloch, Esq., College Street, Edinburgh."

³ Cf. "Letters of Ricardo to Malthus" (ed. Bonar), p. 168.

subject of value, Mr. Malthus has, I think, more chance of discovering some flaw in my argument in the chapter which treats of it,¹ than in any other part of the book, and this chance is increased by my supposition of a medium which shall itself be invariable.² This medium may be supposed to be produced under a variety of circumstances. It may be either the result of the employment of labour only, as supposed by Mr. Malthus,³ when he supposes it to be picked up on the seashore, in which the advance of only one day's sustenance is required; or it may be produced under all the variety of different portions of fixed capital, and employed for different portions of time. If produced by labour only, if half an ounce of silver could be picked up on the seashore by a day's labour, the natural price of labour would be always half an ounce of silver; it could neither rise nor fall. Corn might however be produced with more difficulty, and by the rise of its price, the wages of the labourer would be less adequate to procure him comforts and conveniences. In this case I should say wages would rise, because I always measure the rise of every thing by the quantity of labour necessary to produce it, and the wages though less in quantity would require more labour to produce them. But if much fixed capital was employed in the mines, or if a considerable time must elapse before the circulating capital is returned by the sale of the silver, labour might be exceedingly variable in such a medium. Every commodity measured in such a medium would rise when labour rose, if it were the produce of labour

¹ "Principles of Political Economy and Taxation," chap. i.

² *Ibid.*, (2nd edit.), pp. 23-24; in "Works" (ed. McCulloch), p. 19.

³ "Principles of Political Economy considered with a View to their Practical Application," pp. 110-111.

only, or of a less portion of fixed capital than was employed in the production of money, and on the contrary from the same cause those commodities which were produced by larger proportions of fixed capital, or required more time to finish, would fall in price. This is all implied in my book, but I have not been sufficiently explicit, for I ought to have said that if the medium is produced under certain circumstances, there are many commodities which may rise in consequence of a rise in labour, altho' there are many others which would fall, while a numerous portion would vary very little. You, I know, understand me, but I fear that I have not been particular enough in shewing the various bearings of this question. After the best consideration that I can give to the subject, I think that there are two causes which occasion variations in the relative value of commodities: 1st, the relative quantity of labour required to produce them; 2nd, the relative times that must elapse before the result of such labour can be brought to market. All the questions of fixed capital come under the second rule, which I will endeavor to explain if you should wish it.

I thought of noticing the particular points on which Mr. M.¹ and I differ, and to have offered some defence for my opinions, but I should have little else to do but to restate the arguments in my book, for I do not think he has touched them. Mr. M. adopts a measure of value very different from mine, but he no where adheres to it. Sometimes when he speaks of the rise of commodities, he means their rise in money; at other times, their rise in labour. His very standard is spoken of as rising and falling. In what medium does it rise and fall? In commodities whose value is estimated by the quantity

¹ Malthus.

of the very standard which he is thus measuring. Cloth has risen, he would say, because 100 yards of it will command more labour. Well then the variation is in the cloth, and labour is the standard by which it is measured; but labour is abundant, the population is excessive, wages are low, and the proof is that more labour is given than before for 100 yards of cloth, and for many other commodities. The most objectionable chapter in Mr. Malthus' book is that perhaps on the bad effects from too great accumulation of capital, and the consequent want of demand for the goods produced.¹ This doctrine naturally leads to the conclusion which Mr. Malthus draws from it. I could not have believed it possible, if I had not read it, that so enlightened a man as Mr. Malthus should recommend taxation as a remedy to our present distresses.² He is not aware that the produce of a country is always consumed, and that saving means only that a larger portion shall be consumed by those who reproduce a value superior to their consumption. From the insufficient numbers of labourers, they may be enabled to command such a quantity of the produce as to leave little for profits, and thereby to deter capitalists from employing any additional capital in reproduction; but these low profits, if society be not at the end of its resources, arise only from the insufficient number of labourers to do the work required. It can never happen that capital and labour can be at the same time redundant, except as I said before you have arrived at the end of your resources; but Mr. Malthus talks of low profits from a want of demand, and thinks it quite

¹ "Principles of Political Economy considered with a View to their Practical Application," chap. vii, sect. 3.

² But see *ibid.*, pp. 518-522.

possible that you may have more capital than you can employ, with a redundancy of people.

According to him you produce too much and consume too little, and as you are so obstinate that you will not consume yourself, he recommends that taxes should be imposed, and that government should expend for you. Mr. Malthus does not appear to have understood me respecting improvements on the land. I have not denied that eventually they will be very beneficial to landlords, but their immediate effect is to lower rent. When the same land is again cultivated in consequence of increased population, the landlord's corn rent will be higher; but his money rent will be the same as before, for the price of corn will be lower. As however inferior lands can be cultivated with a lower price of corn, the improvement cannot fail to become, at no distant period, very beneficial to the landlord. All this I think I have allowed; if I have not, I ought to have allowed it.¹ He has not acted quite fairly by me in his remarks on that passage in my book which says that the interest of the landlord is opposed to that of the rest of the community.² I meant no invidious reflection on landlords. Their rent is the effect of circumstances over which they have no control, excepting indeed as they are the law makers, and lay restrictions on the importation of corn.

I am surprised that rent should be still spoken of as a surplus produce, differing in that respect from the produce of manufactures. Is it anything but a value transferred? Could it exist in the same degree as it does if

¹ Cf. Ricardo, "Principles" (2nd edit.), p. 66; in "Works" (ed. McCulloch), pp. 41-42.

² See Malthus, "Principles," p. 205, citing Ricardo, "Principles" (2nd edit.), p. 423.

the lands were all more fertile or varied less in relative fertility? Might we not have more produce with less rent?¹

These are all the observations which I intend making on Mr. Malthus' work. If you should write any remarks upon it, I should very much like to see them, and should without scruple say to you whatever might occur to me on perusing them. At present I feel a real difficulty, for I confess I do not very clearly perceive what Mr. Malthus' system is. He and I differ in our opinions on the benefits resulting from foreign trade, but what his opinion is I do not well know. I have read his book rather in haste, and after different intervals of time, so that I have not strictly done it justice. I mean to go over it carefully again.

I am expecting the Merchants' petition to be presented in a few days.² I am glad to see that the doctrines of the advantages to be expected from a free trade are daily gaining converts. I am sure that the public are much indebted to you for enlightening them on that important subject.

I remain with great esteem,

Very faithfully yours,

DAVID RICARDO.

¹ See Malthus, "Principles," pp. 140-141 *et passim*; given more briefly in his "Inquiry into the Nature and Progress of Rent," pp. 8-9, 15-16 *et passim*. Ricardo's criticism had already been stated in his "Essay on the influence of a Low price of Corn on the Profits of Stock" (in "Works," pp. 375, 388), and in the "Principles of Political Economy and Taxation" (chap. xxxi on "Mr. Malthus's Opinions on Rent;" in "Works," pp. 243-244.)

² It was actually presented by Alexander Baring on March 8, 1820, and after debate ordered to lie on the table, together with a similar petition from the Chamber of Commerce of Edinburgh (Hansard, "Parliamentary Debates," vol. i, (N. S.), 165-197). Ricardo spoke in advocacy of freedom of trade, but urged the expediency of a countervailing duty on agricultural products equivalent to the burden of tithes and poor-rates upon the English agriculturist. *Ibid.*, 193.

XV.¹

LONDON, 13 June, 1830.

MY DEAR SIR,

A number of engagements, to which I have been obliged to give my time and attention, has [*sic*] prevented me from answering your letter before. I fear I shall have some difficulty in explaining myself on the effects which the relative times before commodities can be brought to market have on their prices, or rather on their relative value. All commodities which have value are produced by labour. The labour employed in making a steam engine may be the same in quantity, and exerted for the same length of time, as the labour employed in making a valuable piece of furniture; consequently the steam engine and the furniture would be of the same value. The upholsterer sells his furniture at the end of a year for a thousand pounds. The steam engine is also worth a thousand pounds, but it is not sold; it is to be employed the following year as capital. If profits be 10 per cent., independently of the quantity of labour and circulation capital which the owner of the steam engine must employ, and in which he is on a par with the upholsterer, he must have his steam engine replaced in its original state of efficiency at the end of the year, and must charge upon his goods £100 for the profit of the £1000 capital employed as fixed capital. If it be two years before he can receive the return from the work done by the steam engine, he must have £100 for the first year's profit, and £110 for the second, and this is totally independent of the quantity of labour actually accumulated in the commodity brought to market. Now if I employ valuable machinery from

¹ Cover wanting.

which I have no return for two years, at the end of the two years, my machinery and my goods together must be of the value of all the labour employed in producing them, besides the accumulated profit on the capital which yielded me no return for that time. But the same result would take place if I employed circulating capital only and would not bring my commodity to market for two years. At the end of the two years the commodity will not be worth only all the labour bestowed on it, but also all the accumulated profits for the time that my capital was so employed. Strictly speaking then the relative quantities of labour bestowed on commodities regulates their relative value, when nothing but labour is bestowed upon them, and that for equal times. When the times are unequal, the relative quantity of labour bestowed on them is still the main ingredient which regulates their relative value; but it is not the only ingredient, for besides compensating for the labour, the price of the commodity must also compensate for the length of time that must elapse before it can be brought to market. All the exceptions to the general rule come under this one of time, and as there are such a variety of cases in which the time of completing a commodity may differ, it is difficult to fix on any one commodity which may properly be chosen as a general measure of value, even if we could get over the difficulty of not having one which always requires the same quantity of labour to produce it. The two extremes appear to be these: one, where the commodity is produced without delay, and by labour only, without the intervention of capital; the other, where it is result of a great quantity of fixed capital, contains very little labour, and is not produced without considerable delay. The medium between these two is perhaps the best adapted to the

general mass of commodities. Those commodities on one side of this medium would rise in comparative value with it, with a rise in the price of labours, and a fall in the rate of profits; and those on the other side might fall from the same cause. Mr. Malthus has taken advantage of this defect in my measure of value, from which his own is not free, and has not failed, as he justly might do, to make the most of it.¹ Mr. Malthus in fact keeps to no one measure of value. Sometimes he speaks of a rise or fall of goods, and means a fall or rise in their money price; sometimes he estimates their fall and rise by their power of commanding labour, and sometimes by their exchangeable value in corn. His real measure of value is itself variable, and in a degree not inferior to the variableness of most other things, and he speaks of this variableness without appearing to be aware that he thereby shews how unfit his measure of value is for any useful purpose. It must be confessed that this subject of value is encompassed with difficulties. I shall be very glad if you succeed in unravelling them, and establish for us a measure of value which shall not be liable to the objections which have been brought against all those hitherto proposed. I sometimes think that if I were to write the chapter on value again which is in my book, I should acknowledge that the relative value of commodities was regulated by two causes instead of by one, namely, by the relative quantity of labour necessary to produce the commodities in question, and by the rate of profit for the time that the capital remained dormant, and until the commodities were brought to market.² Perhaps I should find the difficul-

¹ Cf. Malthus, "Principles of Political Economy," chap. ii, sect. 3.

² In the 3rd edition (1821) of the "Principles of Political Economy and Taxation," Ricardo endeavored to explain more fully than in the

ties nearly as great in this view of the subject as in that which I have adopted. After all, the great questions of Rent, Wages and Profits must be explained by the proportions in which the whole produce is divided between landlords, capitalists and labourers, and which are not essentially connected with the doctrine of value. By getting rid of rent, which we may do on the corn produced with the capital last employed, and on all commodities produced by labour in manufactures, the distribution between capitalist and labourer becomes a much more simple consideration. The greater the portion of the result of labour that is given to the labourer, the smaller must be the rate of profits, and vice versa. Now this portion must essentially depend on the facility of producing the necessities of the labourer. If the facility be great, a small proportion of any commodity, the result of capital and labour, will be sufficient to furnish the labourer with necessities, and consequently profits will be high. The truth of this doctrine I deem to be absolutely demonstrable, yet I think that Mr. Malthus does not fully admit it.

The case you put to support your opinion that it is of great importance to the labourers whether taxes be imposed on the luxuries of the rich or on their own necessities, is well chosen. You suppose a subsidy to be

preceding, his opinion on "the difficult subject of Value," and for this purpose made "a few additions to the first chapter," (cf. *ibid.*, Advertisement). These changes consisted, in the main, in greater emphasis upon the modifications of the principles which determine relative value, due to the employment of more or less capital for a longer or shorter period; and in the insertion of sect. vi, "On an Invariable Measure of Value," with its general proposition that it is precisely these modifications "which disqualify any commodity that can be thought of from being a perfectly accurate measure of value" ("Works," p. 28). The radical change indicated above is only suggested in a final footnote, "Works," p. 30. Also cf. "Letters of Ricardo to Malthus," (ed. Bonar), p. 172.

(*annually*, I believe) remitted from Ireland to Russia, and you ask whether it will be of no consequence whether the taxes to raise that subsidy be imposed on potatoes, or on claret and coaches? As no more labourers will be employed by Government, and consequently there can be no increased competition for them, you conclude that notwithstanding the taxes on the necessaries of the poor, their wages will not be raised till after they are reduced to the extreme of misery, and famine or the slackened operation of the principles of population have [*sic*] equalized the supply to the demand. According to your own view of the case, when the demand has to operate on the diminished supply, wages will rise very high, not only so high as to compensate the labourer for the tax imposed on him, but much higher; for on no other conditions can he replace the void which misery had made in the number of labourers. Before the tax, his wages were only sufficient to keep up the supply equal to the demand. If you add the tax to his wages, he can do no more; and therefore if famine and misery have occasioned depopulation, there must be an extraordinary stimulus to place things on their former footing. I should say then that according to your admission the labourer would on an average have his wages increased equal to the amount of the tax; but he would first suffer from their being extraordinarily low, and then benefit from their rising extraordinarily high. In truth, however, I think that they will neither be very low, nor very high, but that they will undergo such a moderate increase, as will compensate the labourer for the tax laid on his necessaries. It is the interest of all parties that they should so rise. I consider that the quantity of necessaries which the wages of a labourer will enable him to purchase, is really the efficient regulator of the

population. The circumstances of the country require that the population should continue to increase at the same rate after the subsidy is granted to Russia as before, for there is no diminished demand for labour, and the question between us comes to this: Will the population be in the first instance very much depressed, and then afterwards violently stimulated, or will it continue in that course which the circumstances of the capital and the demand for labour originally required it to be? The value of things, I believe to be influenced, not by immediate supply and demand only, but also by contingent supply and demand. You must not suppose that I am arguing in favour of taxes on necessities, in preference to taxes on luxuries, for that is not the question; but I am endeavoring to ascertain in what these taxes really differ. I quite agree with you, and for the reasons you give, that an income tax is by no means a desirable tax, situated as we are, instead of the taxes now levied.

What I said on the Agricultural Question in the House of Commons has been in many respects imperfectly reported.¹ I assure you that I maintained stoutly those principles which you know I think the correct ones. Mr. Brougham very much misrepresented what I said and he himself advanced principles which were wholly untenable,² but the House was much too partial

¹ On May 30, 1820, on a motion for the appointment of a special committee to consider petitions on agricultural distress and demands for a higher protective duty, Ricardo spoke in advocacy of the general principles of free trade, and in opposition to the appointment of a committee which he was persuaded would be productive "of mischief and not of good." See Hansard, "Parliamentary Debates" vol. i, (N. S.), 671.

² See Hansard, "Parliamentary Debates," vol. i, (N. S.), 683. Brougham spoke strongly against the outright repeal of the corn laws and the unqualified validity of the doctrine of free trade at all times and places. He pronounced certain of Ricardo's favorite themes

to one view of the subject, to allow me to enter into a refutation of them. I shall probably have some other opportunity of doing so.

Your article in the *Edin. Review* is exceedingly good, and I am sure will be of great use in forwarding the good cause.¹ Your article on Corn in this day's *Scotsman* is also calculated to convince the honest skeptics. You are mistaken in thinking that I could be of use in Parliament by bringing forward the question of free trade with France. In the first place I have not talents for such an undertaking, and in the second, I am treated as an ultra reformer and a visionary on commercial subjects by both agriculturists and manufacturers. Do you not observe that even Mr. Baring, the professed but I think lukewarm friend of free trade, did not nominate me on his committee!

Yours ever,

D. RICARDO.

XVI.²

BRIGHTON, 2 Aug., 1820.

MY DEAR SIR,

I have been for sometime in this place enjoying the sea-breezes. My own inclination would have led me into the more retired situation of my own house in Gloucestershire, but my family were very desirous of a few weeks' residence here, and I was induced to comply with their wishes. I shall be at Gloucester on Wednesday, and at Gatcomb Park in a very short time after. This is the proper place for me to request you to give

'Utopian doctrines'; and added that: 'His hon. friend, the member from Portarlington, had argued as if he had dropped from another planet.'

¹ See above, note 1 p. 54.

² Cover wanting.

directions to have the Scotsman sent to me at Minchinhampton, and it is also the place to ask you to direct the agent of the paper, in London, to receive from my brother and me, our respective subscriptions, which I understand from him they now will not do without instructions.

It will be some time before your article on value can appear in the Supp. of the *Encyclop. Brit.*¹ I shall be very eager to see it, for I am sure you will divest the subject of value of some of the clouds in which it is at present enveloped. I am glad too that the subject of Tithes has engaged your attention. You will not fail to make the nature of this tax, on which much error and misapprehension prevail, well understood. Nothing occurs to me to say upon it at present, which can have the least claim to your attention.²

The papers which I moved for respecting the duties on French and other wines I have directed to be sent to you. There is another set not yet printed which will continue the information till July last; they shall be sent to you also. I moved for them at the request of a committee of the trade, who expected that they would convey information on which they might found a petition which they would have requested me to present; but I understand that the facts which these papers disclose are not exactly such as they expected, and there-

¹ The title "Value" in the "Supplement" is merely a cross reference to sect. iv of McCulloch's article on "Political Economy" in the same work.

² See following Letter. Also "Letters of Ricardo to Malthus" (ed. Bonar), p. 171. The subject of Tithes was a favorite topic of discussion in the economic coterie of which Ricardo was the centre. In 1873, Mrs. Grote wrote: "I recollect the eternal disputes over the 'incidence of tithe' with perfect clearness even now." See "Personal Life of George Grote," p. 28.

fore they have abandoned their intention of presenting a petition. I believe that they contain the information you wish to have. I hope you will find them useful. When I wrote to the vote office to request Mr. Mitchell to send the papers to you I mentioned the petition to which you refer presented by Mr. Sharp and begged if they had it to forward it to you. I fear it is of too old a date to be in the vote office.

I was sorry to see that Mr. Wilson was elected to the Professorship of Moral Philosophy, after all the meritorious exertions you had made to shew how improper a person he was for so dignified a situation.¹ The world is getting better than it was, but I fear we are yet at a great distance from that time when merit will be considered as the best claim to such important offices.

Since I have been here I have been giving a second reading to Mr. Malthus' book. I am even less pleased with it than I was at first. There is hardly a page which does not contain some fallacy. He dwells incessantly on the importance of giving increased value to commodities, which he thinks of much more consequence than securing an abundant supply of them. He is always sacrificing the interest of the consumer to the interest of the merchant. His increased profits are of the greatest moment, altho' they may be partial and

¹ John Wilson, better known as "Christopher North," was elected, largely through Tory influence, to a chair in the University of Edinburgh, defeating Sir William Hamilton. James Mill was no less chagrined than McCulloch at Wilson's election. Cf. "Correspondence of Macvey Napier," p. 24. Wilson doubtless had his revenge upon McCulloch several years later when the unsuccessful attempt was made to institute a separate chair of political economy in the same University, to which it was hoped McCulloch would be appointed. *Ibid.*, p. 45. Wilson showed his hostility more openly in "Some Illustrations of Mr. McCulloch's Principles of Political Economy. By Mordecai Mullion, Private Secretary to Christopher North." Edinburgh and London, 1826.

really derived from a partial monopoly. To be consistent he ought to be friendly to all kinds of monopolies, for there can be no doubt that these would benefit merchants and dealers at the expense of consumers, and would give a high value to commodities. If you increase the quantity of commodities by means of facility of production, (he says) you do an injury to society, unless they give as much or a greater employment to labour. This is clearly not true, for if with less labour you can obtain the same quantity of commodities, one of two things must happen : either you will give employment to the same or a greater number of people, and still further increase your means of enjoyment, or you will by the payment of the same or even less wages in money, enable the employed to command more commodities, and if they prefer indolence to the rewards of labour they may with less labour command the same quantity of enjoyments. How an abundance of productions can lead to a less demand for labour I cannot make out. Mr. M. appears to me to confound two things which ought ever to be kept very distinct. A man may produce commodities, the return for which may not repay the value of the labour that has been bestowed on them. Such commodities would be cheap, and we should say they were abundant ; but their cheapness would be attended with this effect, the national capital would be diminished by their production. But when commodities are produced in abundance and at a cheap price, from facility of production, and really more than replace the capital employed on them, it is an unmingled benefit, and is essentially different from the other case. That the first sometimes happens cannot be denied, but it is always the effect of miscalculation. It may take place with respect to one, or to a thousand com-

modities, but cannot at once happen to all. Mr. Malthus speaks of an indisposition to consume being very common. I say it never exists anywhere, not even in South America, to which he has so triumphantly alluded.¹ In South America there is no indisposition to consume, the indisposition is to produce. To entitle a man to consume there as well as elsewhere he must produce, but he prefers indolence to the gratification which the commodity he would demand would give him, and this Mr. Malthus calls an indisposition to consume, and makes him deny the proposition that effective demand depends upon production. If one man were industrious, and all others idle, it is possible that he might produce commodities which no other person might have the means of buying, but what was his object in producing them? He can have but two, either to consume them himself, or to exchange them with others for the objects which he wishes to consume. If he does the last, when there are no others to give him the objects he wants, he is guilty of miscalculation. He should have produced directly the objects he wants. How then can the accumulation of capital be mischievous? It may be under certain circumstances without benefit to the capitalist, and then it will be proportionally more beneficial to the labourer. Unless it be beneficial to the capitalist it will cease; on that point we are all agreed, but how can it be said to be prejudicial to the whole community, and to be as injurious to the labourers as it is to their employers? This appears to me as great an absurdity as to say that twice two do not make four.

Believe me to be with great regard,

Very truly yours,

DAVID RICARDO.

¹ Malthus, "*Principles of Political Economy*," p. 382 *et seq.*

XVII.¹

GATCOMB PARK, MINCHINHAMPTON, 15 Sept., 1820.

MY DEAR SIR,

I have read your article on Tithes² with great satisfaction. You have made that clear which to many minds was before obscure, and I hope have laid the foundation for some beneficial change in this most oppressive and irritating tax. I do not quite agree with you in the justice of subjecting those to the tax whose lands have hitherto been exempted from it. Many tithe free farms are yearly brought to market, and an additional price is paid for them in consequence of the peculiar advantage they enjoy. It would surely be very unjust to subject such a proprietor to a tax after his paying a valuable consideration to be exempted from it. I think that it would be almost equally unjust to impose this tax on those who have retained the property in their own hands for the three hundred and fifty years of which you speak. I also differ with you on the expediency of substituting for the tithes, a poundage on rents; this would be to tax exclusively a particular class of the community. I speak without any consideration of my interest as a landholder, and I assure you that I am not possessed of any tithe free land.

I am glad that you are about preparing an article on the National Debt, and on the different plans suggested for paying it off.³ I am not well acquainted

¹ Cover wanting.

² *Edinburgh Review*, No. LXVII (August, 1820), Art III. The article is nominally a review of an unsigned pamphlet, "Plan for a Commutation of Tithes," 1819. Cf. also "Letters of Ricardo to Malthus," (ed. Bonar), p. 171.

³ McCulloch seems to have published no formal paper upon the subject until several years later,—*Edinburgh Review*, No. LXXVII (Oc-

with the objections which are made to the discharging ourselves from this heavy burden.¹ The principal one that I have heard, is the large quantity of land which a proprietor would be obliged to part with in order to redeem himself from the payment of his annual taxes. It is difficult to make these men understand that the payment of £1000 per annum is a heavier burden than the payment of £20,000 once for all. I suspect too that they imagine their consequence would be lessened by so great a diminution of their landed property as the payment of the debt would require, and perhaps they might be in some measure right in this opinion if the payment did not affect them all and did not leave them when made precisely, in the same relative situation to each other as that in which they now stand. Another objection which I have heard, and which I think is the most plausible, is that it would relieve from taxation all those who are in professions, and whose incomes are derived from wages or salaries. This I have endeavored to answer in my article, but it requires your talents to give it weight.² There is some difficulty with respect to the time required for such an immense operation, and the means of effecting it. I have sometimes thought that it would be desirable to issue a particular paper money to facilitate the payment. Suppose Government were to commence the business by issuing exchequer bills to the holders of 50 millions of

tober, 1823), Art. I, "On the Funding System—British Finances." See also his articles on the same topic in the numbers for October, 1827, and January, 1828. Cf. above, Note, pp. 7-9.

¹ That is, objections to his own favorite plan, of a single assessment upon the general wealth of the country.

² See Ricardo's *Encyclopædia* article, on the "Funding System," reprinted in "Works" (ed. McCulloch), pp. 540-541. McCulloch restated the objection and answered it as Ricardo had done, in the article on Taxation in the *Edinburgh Review* for October, 1827.

stock, which bills should be receivable in payment of the contributions of capitalists, and if not used for that purpose, then payable in money on a day to be fixed. Fifty millions might by these means be paid off without any considerable demand of the circulating medium of the country, and by immediately reissuing the bills, and renewing the operation from time to time, the whole payment might be effected in a moderate time. Some precautions would be necessary to prevent people from concealing their property, or sending it abroad, to withdraw it from a share of the burden. Mr. Brougham made an objection in the House to the plan that it would throw the landed property of the country into the hands of low and designing attornies, but his objection is I think easily answered.¹ By act of Parliament the title of all land sold for the purpose of raising money necessary for the landholder's contribution should be held to be a perfect title, whatever might be its insufficiency for any other sale. Suppose A paid it, and that hereafter it should appear to be the property of B. B would suffer no injury or injustice, for had he been before possessed of it, he must have equally with A have [*sic*] contributed the portion to which the act has given a good title. No landed property in the country would have a better title, and it would therefore be preferred above all other by a purchaser; it could never require

¹ Ricardo had advanced his 'chimerical project' as he admitted it was considered by 'every one except himself,' in a speech in the House on the petition of the London merchants, on December 14, 1819. See Hansard, "Parliamentary Debates," vol. xli, 1577. The objection of Brougham referred to was that the effect of such a measure would be "to place the property for five years at the mercy of all the solicitors, conveyancers, and money-hunters in the country." *Ibid.*, 1581. For McCulloch's reply to this criticism see his article in the *Edinburgh Review* for October, 1829. Ricardo himself noticed it in the House debate on the Reduction of the National Debt, on March 16, 1823. Hansard, vol. viii, (n. s.), 507.

the interference or advice of law attorneys. Nothing further offers itself to me on this subject at the present moment.

I receive the Scotsman regularly here. When Parliament meets *for business*, I will thank you to send it to me again in London. I have not seen my brother Ralph since I received your letter. As he is become a father as well as a husband, we do not see each other out of the neighborhood of London so often as heretofore.

I agree in every thing you say about the Queen. The question of her innocence or guilt is not the important one. She has been abominably treated, and no grounds have been or can be stated, to prove this disgusting enquiry either just or necessary for the public good.¹

I am with great esteem,

Very faithfully yours,

DAVID RICARDO.

XVIII.²

GATCOMB PARK, MINCHINGHAMPTON, 23 Nov., 1820.

MY DEAR SIR,

I have been employed for some little time in writing notes on Mr. Malthus' last work, which as yet I have shewn to no one. Indeed I fear that none but the initiated would understand them, and even they would think it a heavy task to get through them; for I have, wherever I met with a passage on which I wished to animadvert, quoted the page, and the first few words of the passage, and then have written my short comment. If the criticism were just, and the principles I advocate correct, still it would not I think be desirable to publish it;

¹ See the "Proceedings in the House of Lords upon the Bill of Pains and Penalties against Her Majesty." Hansard, "Parliamentary Debates," vols. ii, iii (N. S.).

² Cover wanting.

first [*sic*], because Mr. Malthus' book, I am told, has not excited much interest, and these dry and perhaps not very clearly expressed comments upon it, will excite still less. You once asked me to send you any remarks that I might have to make on Mr. Malthus' work, and if you would look at the first few pages of these notes, without thinking that I made an unreasonable demand I would now do so. There is I fear too much of repetition. From this fault I could not escape, for it is the great error of the work upon which I have been commenting. I doubt whether you will be able to read it, for I have not taken a fair copy of it, and it is full of interlineations.¹

I suppose you have seen M. Say's letters.² Amidst a great deal of truth there appears [*sic*] to me to be some very grave errors. I have noticed some of them in a few pages set apart for that purpose, but there are some with which I have not meddled. I hear very contradictory accounts of the sale of Mr. Malthus' book. From himself I have lately heard that he is preparing a second edition, but by others I am told that it has a very dull sale.

M. Say sent me a very kind letter with a copy of his letters to Malthus. In his letter he speaks confidently of having obviated all just objections to his doctrine of value, in his 4th edition,³ and in the letters to Malthus,

¹ For further details concerning these "Notes," see Letters XIX, XX following; McCulloch's sketch of Ricardo in "Works," xxxi, and in "Treatises and Essays," p. 562; "Letters of Ricardo to Malthus" (ed. Bonar), pp. 172, 178, and Letters of Ricardo to Hutches Trower, of November 26, 1820 and January 14, 1821.

² "Lettres à M. Malthus sur différens sujets d'économie politique, notamment sur les causes de la stagnation générale du commerce." Paris, 1820. An English translation by John Richter was published in London in the following year.

³ "Traité d'économie politique, ou simple exposition de la manière dont se forment, se distribuent et se consomment les richesses." 4^e édition. Paris, 1819. A translation of this edition with notes, by C. R.

and calls upon me to embrace it. He wishes to see some early publication of mine that he may know my sentiments on it. I do not know whether you are well acquainted with his work on Political Economy. I have looked over carefully all the new matter in his fourth edition without discovering any thing to induce me to alter the opinion which I have given of the confusion of his ideas respecting value. Utility, riches, value, according to him, are all the same thing. A commodity is more valuable because it is more useful. A man is rich in proportion as he is possessed of value, of utility, and it makes no difference whether commodities are of a low value or of a high value. Erroneous as I think these views are he has not the merit of uniformly adhering to them, for he often acknowledges that commodities will fall in value if their cost of production be diminished, altho' they preserve the same utility. The book I think is altogether an able one, but I am quite convinced that M. Say does not see quite through the subject.¹

Let me hear from you whether you have any wish to look over my speculations. You may probably be very much engaged at this time, and I cannot promise you any novelty; it is but the old story repeated. I calculate that all I have written would not fill more than 150 pages.

Are you not surprised at the conduct of ministers towards the Queen? They had their option to proceed

Prinsep, was published in London in 1821, and republished in Philadelphia with additional notes by Clement C. Biddle.

¹ Ricardo wrote to Say on May 8, 1821, acknowledging receipt of the "*Lettres à Malthus*," forwarding an early copy of the third edition of his "*Principles of Political Economy and Taxation*," and criticising certain of Say's views. See Say, "*Mélanges et Correspondance*," p. 108.

with the bill or to drop it. They chose to do the latter, and on every principle of fair dealing, of common liberality, they should I think cease persecuting her. That however does not appear to be their intention, if we may judge from their refusal to grant her a palace, and a suitable establishment.

Believe me ever with great esteem,

Very truly yours,

DAVID RICARDO.

XIX¹

GATCOMB PARK, MINCHINHAMPTON, 4 Dec., 1820.

MY DEAR SIR,

After writing my last letter to you, I received one from Mr. Malthus, for the purpose of informing me that as the meeting of Parliament was put off, and my visit to London consequently deferred, he would, if convenient to me, pay me a visit here, for a few days, during his vacation.² He says that he should much like to see my remarks on his work before he publishes another edition. I do not know precisely when Mr. Malthus will come, but it probably will be at the latter end of this week or the beginning of the next. This arrangement will prevent me from immediately availing myself of the permission which you kindly gave me of sending my MS. to you, but will not probably delay it for more than a fortnight, as I shall dispatch it directly after I have shewn it to Mr. Malthus, trusting, most implicitly trusting, that you will after you have read it give me your candid opinion of it, with such remarks as may occur to you. The style you will find miserably bad, but that is a fault from which I cannot free any performance of

¹ Cover wanting.

² Cf. "Letters of Ricardo to Malthus" (ed. Bonar), p. 180.

mine, and all I dare ask of you is to point out to me any glaring error that may offer itself to your notice.

I do not know that I should say anything about Say if I had not received a letter from him with his book, in which he rather invites me to declare my opinion of his sentiments in the first work which I shall publish. I wish you may review his book in the *Edin. Rev.* The opportunity is favourable for I perceive that a translation of it is just advertised by a Mr. Prinsep.¹ I wish you may find anything new in my remarks.

Before I left London Mr. Murray told me he should soon wish to publish a new edition of my book.² As M. Say has left out of his 4th edition a part of the matter on which I before animadverted, and has given his opinion of value in a new and, as he thinks, an amended form, I think it right to omit my former observations and to insert others in their place.³ These also I send you.

I am glad to hear that you are about finishing an article on Interest for the *Supp. to E. Britannica*.⁴ I am sure it will be well done and I shall read it with great interest.

I have never particularly turned my attention to the combination laws.⁵ From the little I do know of them they appear to me to be unjust and oppressive to the

¹ "A Treatise on Political Economy; or the Production, Distribution and Consumption of Wealth. By Jean-Baptiste Say. Translated from the fourth edition of the French, by C. R. Prinsep, M.A., with Notes by the Translator." 2 vols. London, 1821.

² The third edition of the "Principles of Political Economy and Taxation." The Advertisement is dated March 26, 1821.

³ Cf. "Principles of Political Economy and Taxation," chap. xx. ("Value and Riches, their Distinctive Properties"), *passim*.

⁴ See note 2, page 96, below.

⁵ McCulloch was gathering material for a prospective article upon the subject. Cf. note 4, page 93, below.

working classes, and of little real use to masters. In spite of these laws masters are frequently intimidated, and are obliged to comply with the unjust demands of their workmen. The true remedy for combinations is perfect liberty on both sides, and adequate protection against violence and outrage. Wages should be the result of a free compact, and the contracting parties should look to the law to protect them from force being employed on either side; competition would not, I think, fail to do all the rest. There is a bad practice prevailing in this manufacturing county (Gloucestershire). I am assured by the clothiers that the wages of their men hardly ever vary. When work is slack they cannot find constant employment for their men; they pay the same for what is done, and employ them all, but perhaps for $\frac{3}{4}$ or $\frac{1}{2}$ of the day instead of the whole day. This is in fact the same thing as a fall of the wages to the men, but it is unattended with the slightest advantage either to the master or to the public, and has the pernicious effect of inducing the men to linger in a trade which can no longer support them, and prevents the superfluous labour in one branch of trade from being removed so soon as it otherwise would be to another.

I have not heard of Col. Torrens for a long time. Mr. Mill who was here in September told me that the "Traveller"¹ was succeeding very well.

I fear with you that we shall not have a change of ministers. I wish much that the Whigs were to be tried. They would, I think, do something for us, although I confess I do not expect much from them. A

¹ Described by Professor Bain as "an important Liberal organ," the editor of which in 1822 was Walter Coulson, one of James Mill's most intimate companions. At this time, Torrens seems to have been editor of and to have had an interest in the paper. See Bain, "James Mill," p. 183, and "Letters of Ricardo to Malthus" (ed. Bonar), p. 168.

Reform of the Parliament is the only security we can have for a real reform of abuses, and anything which shall be fairly entitled to that name, we shall not I think get from the Whigs. They may however do some little good and they would at any rate, if they did not reform the Parliament, satisfy us that it could be obtained only by the energy and resolution of the people. Although I am very far from agreeing with Cobbett in most of his opinions, I have long been convinced that our security for good government must rest on the institutions themselves, and the influence under which those who govern us act, and not on the more or less virtue in the characters of our government. The conduct of two different sets of men educated nearly in the same manner, acting under the same checks, and with the same objects in view, as far as their own personal interest is concerned, cannot be materially different.

With sentiments of great esteem, I am,

Most truly yours,

DAVID RICARDO.

XX.¹

MY DEAR SIR,

Mr. Malthus had commenced his journey to pay me his promised visit, when he heard that his sister, who was ill at Brighton, wanted him to escort her to London. It is now doubtful whether he will come at all, and, therefore, I will no longer delay sending you my papers. On casting my eye over them, I almost regret having mentioned them to you, for they are I am sure too insignificant to merit the employment of your time for so

¹ Franked by himself. Cover dated "Minchinhampton, December thirteen, 1820," and addressed: "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh."

long a period, as will be requisite for you to look them over. I send them to London with directions to forward them to you, immediately, by the mail; when you have read them return them by the same conveyance to Brook Street, London.

I shall be in London about a week before the meeting of Parliament. Will you be kind enough to direct that the Scotsman be sent to me in London at that time? I hope your agent will call on me for the payment of my subscription.

Very truly yours,

DAVID RICARDO.

GATCOMB PARK, 13 Dec., 1820.

XXI.¹

GATCOMB PARK, Jan. 17th, 1821.

MY DEAR SIR,

I leave this place to-morrow for London where I shall remain in all probability for the next six months. I shall be much disappointed if I do not witness many warm debates in Parliament, in which all the talents of that assembly will be called forth, and I am not without hopes that the ministers may be obliged to quit the places which they so unworthily fill. Lord Grey, Lord Holland, and several more of the Whigs have lately spoken a little of reform in the representation, at the public meetings; but I very much fear that if they were possessed of power, they would not propose or sanction such a reform as could, or ought to satisfy the rational friends of freedom. The party are in possession of a number of boroughs themselves, but what they would be most loth to part with is the influence which they possess over the electors in consequence of their being

¹ Cover wanting.

great proprietors of land and other property. They will not consent to let the real unbiased choice be in the people, or in that part of the people which may be considered as having an identity of interests with the whole.¹

Soon after I sent you my papers, Mr. Malthus, whom I despaired of seeing here this season arrived, and stayed with me a few days.² He was sorry not to see my observations. I told him how I had disposed of them, and promised to pay him a visit on my arrival in London, and to take them with me. I hope therefore I shall not be hurrying you too much if I request you to return them to me in the next week. Mr. Malthus and I had a great deal of discussion, and on some points understood each others' objections better than before, but yet there remains the greatest difference between us. He frequently, I think, advances one proposition and endeavours to prove another, and afterwards refers to the one advanced as settled beyond dispute, and argues from it accordingly. I never knew a man more earnest on any subject than Mr. Malthus is on Political Economy. I follow him pretty closely, and yet after the many hours that we have passed in trying to convince each other, we appear to have made very little progress. One or other of us must be very much in fault.

I do not know whether I have ever told you that Mr. Mill is engaged in writing an elementary work on politi-

¹ A fragment of a letter of Bentham to Ricardo written in 1818, throws some light upon the development of the latter's opinions on parliamentary reform: "I told Burdett you had got down to *trienniality*, and were wavering between that and *annuality*, where I could not help flattering myself you would fix; also, in respect of extent, down to *householders*, for which, though I should prefer universality on account of its simplicity and unexclusiveness, I myself should be glad to compound." Bain, "James Mill," p. 216, note.

² Cf. Letter of Ricardo to Hutches Trower, of January 14, 1821.

cal economy.¹ You know, I believe, that he agrees with you and me in the principles which we think the correct ones, and consequently it is those principles which he will endeavor to explain and elucidate. When I last saw him it was his intention to steer clear if possible of the difficult word value,² and meant [*sic*] to shew the effect that would be produced on rents, profits and wages from the different proportions of the commodity produced which would under different circumstances be allotted to the three classes of landlords, capitalists and labourers. I hope Mill will succeed. There was a very good paper in the Scotsman on the mistaken views which farmers take of their own interest in their endeavors to keep the price of our corn so enormously above the level of the price of other countries. I wish I could speak on that part of the subject in Parliament.

The correct views on the bullion question, and on some other points of the science of Political Economy are neatly explained in a small work which the author has just sent to me, but which in his letter to me he said he did not mean to publish, though he has printed it. The author is quite unknown to me, but I have advised him to publish it in the usual way, and from the answer which I have received from him I think he will.

¹ "Elements of Political Economy." London, 1821. The purpose of the writer is stated in the Preface to be "to compose a school-book of Political Economy." Cf. J. S. Mill, "Autobiography," pp. 27-28; also "Letters of Ricardo to Malthus" (ed. Bonar), pp. 171-172.

² This plan was not put entirely into execution, and a true measure of value remained one of Mill's difficulties. Cf. "Elements of Political Economy," (1821) chap. iii, secs. 2, 3. The second edition (1824) "endeavoured to illustrate more completely the controverted subject of Value," (Preface); and the third edition (1826) again "added something in illustration of the analysis of what regulates value" (Preface, iv).

His name is Bassett and his letter is dated from the neighborhood of Ilfracombe.¹

I hope I shall soon hear from you. I am always glad to know that your pen is employed in the dissemination of just principles both on politics and political economy. I hope your article on Accumulation is in progress.² You are engaging to furnish one on Interest³ and another on the Combination Laws,⁴ that is as it should be.

Believe me,

Most sincerely yours,

DAVID RICARDO.

XXII.⁵

LONDON, JAN. 25, 1821.

MY DEAR SIR,

There being no business in the House of Commons this evening, I cannot more agreeably employ my time than in returning you my sincere thanks for the very candid and friendly manner in which you have given me your opinion of my papers. You may be assured that it has the greatest weight with me, and confirms the view which I myself took of the inexpediency of publishing my notes on Mr. Malthus' work.⁶ For the

¹ "Elementary Thoughts on the Bullion Question, the National Debt, the Resources of Great Britain and the Probable Duration of the Constitution." Barnstaple, 1820. See McCulloch, "Literature of Political Economy," pp. 177-178, where the first two sentences of the above paragraph are quoted, with slight verbal alterations, from a "Private Letter of Mr. Ricardo."

² See note 3, page 103.

³ See note 2, page 96.

⁴ Not actually published until several years later; see *Edinburgh Review*, No. LXXXVIII (January, 1824), Art. III, on "Combination Laws—Restraints on Emigration etc."

⁵ Franked by himself. Cover dated, "London, January 26, 1821," and addressed: "J. R. McCulloch, Esq., Buccleugh Place, Edinburgh."

⁶ See above, note 1, p. 84.

present I shall do nothing with them. I cannot spare time to try to extract what may be most useful in them, and put it in the form which you advise, and I fear the same reason may prevent me from re-casting the chapter on Accumulation in my former work, which is now actually in the printer's hands for the purpose of printing a 3rd edition. If however before he comes to that chapter I find that I have time and talent sufficient to improve it, I shall not fail to attempt it.¹ I have made some alterations in the first chapter "on value" which I fear from the remarks in your letter will not meet with your approbation.² I wish I had sent you the chapter, as it is now printing with the other papers, that I might have profited by your opinion of it, before I had proceeded so far towards its publication. I agree in everything you say respecting the variations which would take place in the relative value of commodities on the supposition that they were produced with capitals of degrees of durability, as 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, "as any standard with which they can be compared must itself be produced by the employment of capital returnable in a certain period. When wages rise those commodities which are produced by less durable capitals will appear to rise and those which are produced by more durable capitals will appear to fall. In truth, however, the whole would have fallen; and if the standard had been produced by capital whose durability was equal to 1, they would almost all have fallen as compared with this standard while it is plain none could have risen." These are my opinions expressed only in language ten times more

¹ "Principles of Political Economy and Taxation," chap. xxi, ("Effects of Accumulation on Profits and Interest"). No change was made in the third edition.

² See above, note 2, p. 71.

clear than I could have expressed them in. But here is I think the difficulty. You say "if the standard had been produced by capital whose durability was equal to 1, they would almost all have fallen as compared with this standard, while it is plain that none could have risen." True, if the standard were so produced; but Mr. Malthus and our adversaries say that the standard shall be produced with labour without any capital at all, or at most the capital only that is necessary to support a man a single day. In this standard your No. 1 would fall with a rise of food and necessaries, and labour never could rise at all. Malthus has supposed the case of a man by a day's labour being enabled to pick up a certain number of grains of gold or silver on the seashore¹. Suppose he could pick up as much silver as we coin into a shilling—labour never could fall below a shilling a day; and if corn rose in silver, labor could not rise and all commodities, produced with capital, which could not be brought to market for a year, a month or even for two days, would fall in such a standard with every rise in the price of food and necessaries. If we could take our stand at No. 1 we should do very well, but we are driven from it, and it is proved that a thing which is produced and brought to market in one day by ten men's labour, is not so valuable as another commodity produced and brought to market at the end of ten days, after one man's labour has for that time been employed upon it. Are you prepared to adopt the standard of daily labour? It may possibly be the correct one, but the circumstances under which it is produced agree so little with the circumstances under which most other commodities are produced, that by adopting it, we introduce a cause of variation of price, which we avoid if we choose a standard produced under

¹ See above, page 64.

the ordinary circumstances that other commodities are produced. I am not satisfied, as I have often told you, with the account I have given of value, because I do not know exactly where to fix my standard. I am fully persuaded that in fixing on the quantity of labour realised in commodities as the rule which governs their relative value we are in the right course, but when I want to fix a standard of absolute value I am undetermined whether to choose labour for a year, a month, a week, or a day. I should not so soon after the receipt of your letter, for I received it and the parcel this morning, have given you my thoughts on this difficult subject, if I had flattered myself that by more consideration I could have arrived at more satisfactory conclusions; but I am sure I could not, for I have reflected so much upon it that I despair of becoming more enlightened upon it by my own unassisted efforts.

There is a great deal of repetition in the two parts of the observations on Say and they should not both have been sent to you, one part was intended for the third edition of my work—the other for the notes on Malthus. If I published one I should not have published the same matter in the other.

If the House will listen to me, and my courage do not fail me, I will take the first good opportunity of saying something on the injurious effects of the corn laws on the farmers.¹

I thank you for your article on Interest,² I shall read

¹ The opportunity was presented and partially embraced in a discussion with Baring in the debate upon a petition from Birmingham merchants concerning national distress. See Hansard, "Parliamentary Debates," vol. iv, (N. S.), 535.

² "Supplement to the Fourth, Fifth and Sixth Editions of the Encyclopædia Britannica," vol. v, pp. 56-67.

it with much satisfaction. With sentiments of the greatest regard and esteem,

I am, my dear Sir,

Very truly yours,

DAVID RICARDO.

XXIII.¹

LONDON, 23rd March, 1821.

MY DEAR SIR,

I have been impatient for an opportunity to answer your last letter ever since I received it, but have never had one till this time, having been incessantly occupied either in the Agricultural Committee,² or by my attendance in the House of Commons.

I must in the first place thank you for the frankness with which you express your opinion to me of the sentiments which you suppose me to have uttered in the debate on the appointment of the Agricultural Committee.³ I should estimate your letters much less highly than I do, if you did not freely animadvert on every part of my

¹ Franked by himself. The last sheet of the letter is used as the cover. It is dated, "London, March Twenty-three, 1821," and addressed: "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh."

² "Select Committee to consider the several petitions presented to the House, complaining of the distressed state of the agriculture of the United Kingdom." The committee was appointed on March 7, 1821, and consisted of twenty-nine members, including Ricardo, Brougham, Huskisson, Baring, Sir Henry Parnell, Western and Wodehouse. See "Journal of House of Commons," vol. 76, pp. 146-147.

³ Upon Gooch's motion for the appointment of the preceding committee. See Hansard, "Parliamentary Debates," vol. iv, (N. S.), 1147. This speech was answered by Joseph Pinsent, the author of "Conversations on Political Economy" (London, 1821)—in a pamphlet, "Letters to the Chairman of the Committee . . . on the Agricultural Distresses . . . and to David Ricardo, Esq., M. P., in answer to his Speech of the 7th of March, 1821; designed to demonstrate the Errors of the Theory which that Gentleman advocates." London, 1821.

public conduct which you may think questionable, and particularly that part of it which should appear to you to compromise those principles of Political Economy for the maintaining of which I first entitled myself to your notice. If I should ever change my opinion I will manfully avow it, and trust I shall be able to give such reasons for the change as shall at least satisfy all candid men that I do so from a conviction of my error. In the present instance no such change has taken place, and in the speech to which your letter alludes, I, boldly and without any equivocation, defended all the doctrines on the corn trade which I have advanced in my book. It was my object to shew the absurdity of Mr. Curwen's notions of a protecting or countervailing duty on the importation of corn,¹ and I thought I did it successfully by my allusion to the manufacture of sugar from beet root in France during the war. I shewed that on his system the French Government should have imposed a duty on the importation of West India sugar, after the peace, equal to the difference of the cost of manufacturing sugar in the West Indies and France. My argument appeared to make a great impression even on those who were absurd enough to be bewildered by such a doctrine as that of Mr. Curwen. I laid down my own principle of a countervailing duty, and [*sic*] which has been misrepresented in all the papers.² I contended that it should not amount to more than the peculiar taxes to which the agriculturist was subject, and on the same principle he should be allowed a bounty equal to

¹ Hansard, "Parliamentary Debates," vol. iv, (N. S.), 1147.

² Already in his speech on the motion for the appointment of a similar committee in the year preceding (May 30, 1820), Ricardo had defended a countervailing duty, "one which balanced the particular tax laid upon any class of the community." See Hansard, "Parliamentary Debates," vol. i, (N. S.), 674.

those taxes on the exportation of corn; that thus the prices abroad, and at home, would be always nearly alike, and if we had an abundant harvest the farmer might export it without a great and destructive fall of price. I certainly did admit that we could not immediately adopt such a plan, but contended that all our measures should have that object in view. This I have always said and so have you. We have both agreed that we should not, immediately and at once, jump from a bad system to a good one. What we have contended for is that the good system should be never absent from our view, and that all our measures should enable us gradually to approach it. The newspapers have and always do misrepresent me. I dare say the fault is mine in a great degree, for I speak very badly, and always hurry on too fast. In many parts of my speech I have been best reported by the British Press which I have endeavored to get to send to you but without success. With respect to the opinion I gave of our situation I have not been incorrectly reported. I uttered what I thought. I was answering Mr. Whitmore who represented our situation as almost desperate from the magnitude of our taxation, and the effects of the alteration in our currency.¹ I said only what I thought, when I expressed an opinion that it would not be long before we saw a marked improvement in our condition. I do not attribute the distressed state of agriculture to taxation. I believe that it might have been as bad, with the present corn laws, if we had not had a single tax to pay. Abundance without a vent cannot fail to produce distress, but must it be lasting? I think not. You think otherwise because you are of opinion that capital will

¹ Hansard, "Parliamentary Debates," vol. iv, (N. S.), 1150.

be constantly drawn away from this country whilst the corn laws are in force. I acknowledge the tendency of capital to flow from us, but I think you very much over-rate it. I have always said that the desire to stay in our own country is a great obstacle to be overcome. You infer too strongly, I think, that profits abroad exceed profits here by the whole difference in the money price of corn. My opinion is this: if we were allowed to get corn as cheap as we could get it, by importation, profits would be very considerably higher than they now are; but this is a very different thing from saying that profits are very considerably lower here than abroad. It is quite possible (though I do not believe it is true) that profits may be higher here than abroad. It is possible that the labour price of corn may be cheaper here than in the countries from which we should import corn if the trade were free and open. I have put the case in my book of a country having a very little superiority over its neighbours in the production of corn but a very great one in the production of manufactured goods.¹ In such a country, notwithstanding a corn law, profits would be higher than in the neighbouring countries, and consequently no capital would flow from it, although it should refuse to import cheap corn. I beg you to observe that I do not say this is our case. I only say it might be our case, and I mention it to shew you that the rate of profits may not be so enormously different here and elsewhere as you are disposed to think. I acknowledge the tendency of the corn laws to send capital from the country. I acknowledge that our im-

¹ Probably chap. vii ("On Foreign Trade"), of "*Principles of Political Economy and Taxation*." See in particular, page 142 (3rd. edit.); in "*Works*" (ed. McCulloch), p. 77.

mense taxation has a tendency to produce the same effects, and I believe in my conscience that no measures could so much contribute towards our wealth and prosperity as repealing the corn laws, and paying off our debt; but though this is my opinion, I am by no means ready to admit that we may not have a more limited measure of prosperity notwithstanding the continued operation of our corn laws, and the continued existence of our debt. In nothing that I have now said am I anxious of maintaining any opinion at variance with those principles which it has been my pride to advocate, and which I can assure you I am strenuously supporting against a host of adversaries, in the shape of witnesses, as well as members, in the Agricultural Committee.¹ I pray you not to judge me by the newspapers. My last speech² as detailed by them on the currency is so unlike anything I delivered that I scarcely recognise a sentiment of mine in it. I am sorry for this, but I know no remedy for it. In my speech on the corn laws I recommended an open trade on the principles I have already stated, and I further said that whilst any corn law existed it should not be on the present footing, which had the effect of alternately giving us a glut of corn, and then a scarcity and high prices; that next to an open trade a fixed and permanent duty was desirable, provided it were only moderately higher than the limit I had pointed out. Such a regulation would at least give us steady prices, but in adopting it we should never lose sight of the principle that free trade was our true policy. If the opinion of so

¹ See above, page 97.

² On March 19, 1827, on the Bank Cash Payments Bill. See Hansard, "Parliamentary Debates," vol. iv, (N. S.), 1328.

humble an individual as myself can be of any importance to any one, you have my free consent to state in your paper as from authority that the sentiments which I have already expressed are those which I endeavored to convince the House were the correct ones. You may possibly be startled at the idea of giving a bounty on the exportation of corn. I have not now time to give you my reasons for such an opinion, but shall only say that no protecting duty can at any time be justifiable unless it be allowed to draw it back on exportation. The freedom of trade in fact requires a bounty to such an amount. You ask [*why not ask*]¹ the minister to abolish taxes or to relax the barbarous restraints on trade, if we have already nearly got the better of all our difficulties, and are about to enter the haven of prosperity? I answer, because I am not contented with a little prosperity if I can obtain a great deal for my country. My opinion was given also in reference to the currency question, to which all our misfortunes are frequently referred, and I held responsible, as if I was the sole author of that measure. I have a great deal to say on the different effects which follow from a taxation to support expenditure, and a taxation to pay the interest of debt, but on which I cannot now write. I hope after this explanation you will relinquish the idea that there is very little in common between your opinions and mine. I shall always be at my post advocating the good cause, which I never have nor never [*sic*] will compromise. It has always appeared to me that the generality of people very much undervalue the resources of a great nation. If the language of the opposition in the House of Commons be sincere, they undervalue them, and I

¹ MS. defective. The words italicized suggest the probable reading.

think they do no good by making the picture more dismal than the reality.¹

Ever, my dear Sir,

Truly yours,

DAVID RICARDO.

XXIV.²

LONDON, 25th April, 1821.

MY DEAR SIR,

Col. Torrens sent me your article on accumulation and on the effects of the use of machinery, which I think very good, although there are parts of the article which do not quite accord with my present opinions.³ I think that I informed you, in a former letter, of a change in my sentiments respecting the advantages of machinery, and that it was my intention to write a chapter on that subject in the new edition of my book.⁴ As you have probably read the chapter by this time, as I requested Mr. Murray to send you a copy last week, it will not be necessary for me to explain my views here. I should be glad however to hear from you whether I have satisfied you of the correctness of the opinions which I have ventured to give.⁵ You will not find much of

¹ Most of the arguments advanced in the above letter were restated by Ricardo with great force and clearness in his tract "On Protection to Agriculture"; reprinted in "Works" (ed. McCulloch), pp. 455-498.

² Cover wanting.

³ *Edinburgh Review*, No. LXIX (March, 1821), Art. VI, on "Effects of Machinery and Accumulation." McCulloch maintained his characteristic proposition that "no improvement of machinery can possibly diminish the demand for labour, or reduce the rate of wages."

⁴ "Principles of Political Economy and Taxation," 3rd edit., chap. xxxi ("On Machinery").

⁵ McCulloch replied in no uncertain tone. Cf. following Letters; also "Letters of Ricardo to Malthus" (ed. Bonar), p. 184.

novelty in the new edition; all that is new is pointed out in the advertisement at the beginning of the volume. Mr. Malthus' second edition will not appear for the present. He has had my notes ever since you returned them to me, but I fear they have made very little impression on him.

The labours of our Agricultural Committee are suspended during the holidays. I have called two merchants before it, whose evidence I think valuable. Mr. Tooke is one, and from him I have got sound opinions to appear on our minutes. I do not entirely agree with him, nor will you. He thinks that the Corn laws have no effect whatever in raising the average price of corn, and consequently that they are of no use to the landed interest. He thinks further that the United Kingdom would, if no corn laws existed, grow on an average the quantity of corn which she annually consumes, as in his opinion we can compete with other countries in the growth of corn. I do not believe this. If our ports were regularly open at all times I am confident that we should be an importing country. You will read his evidence with interest.¹ Mr. Solly, the other merchant I called, gave some valuable information respecting the price of corn in Poland, and in the Prussian Ports, and also regarding the expenses of conveying corn from the interior, to the Ports of Embarkation, and from those Ports to London.² The character of the evidence generally is bad. Farmers are very bad legislators, and ought not to have been asked their opinions on the policy of laws. As they were asked however, I thought it right to endeavor to shew their ignorance of the subject, and

¹ "Report from Select Committee on Petitions complaining of the Depressed State of Agriculture" (1821): Minutes of Evidence, p. 224 *et seq.*

² *Ibid.*, p. 315, *et seq.*

I flatter myself that I have been of a little use in making them talk nonsense and having it on record.¹ Mr. Huskisson tells me that Lord Castlereagh has written to all our consuls and ambassadors abroad for an account of the prices of corn in foreign countries for a series of years which will be laid before Parliament as soon as it arrives.

The criticism on Say in the last number of the Scotsman is I think very just. He is certainly very far behind in his knowledge of the present state of the science. Mill's book on Political Economy is nearly finished. He recognizes all the principles which you deem the correct ones, and I have no doubt you will think his work well calculated to disseminate useful information.

On this day my labours recommence. I hope it will not be very long before we shall make our report. I know that there is a slight difference in our opinions on the corn laws, but I am not conscious of having deviated in the slightest degree from those which I expressed in my book.

Ever truly yours,

DAVID RICARDO.

XXV.²

LONDON, 18 June, 1831.

MY DEAR SIR,

Although I am not disposed to defend the manner in which I have acknowledged the change of my opinion on the subject of machinery, in the third edition of my book, I cannot agree with you that it will arm those,

¹ In the Minutes of Evidence in the printed "Report," the name of the examining member of the Committee does not appear. Ricardo's questioning is often clearly evident. Thus see the examination of G. Webb Hall, Esq. (p. 165), of R. C. Harvey (p. 37), of J. Ellman (p. 121), etc.

² Cover wanting.

who have contended that Political Economy is a fabric without a foundation, with any additional arguments in favor of that opinion. The whole change of my opinion is simply this: I formerly thought that machinery enabled a country to add annually to the gross produce of its commodities, and I now think that the use of it rather tends to the diminution of the gross produce. I have stated my reasons for thinking so, and I am willing again to acknowledge my error if I should be proved wrong. There are so many faults of manner in my book which I cannot defend, that I must submit to have this one added to their number. There is on this part of the subject one expression of yours which I confess surprises me, and appears to me so great a misapprehension of my present opinion, that I cannot but flatter myself, when that opinion is more clearly explained to you, you will yourself embrace it as sound doctrine. You say, "little did I expect after reading your triumphant answer to the arguments of Mr. Malthus that you were so soon to shake hands with him, and to give up all." Mr. Malthus does not think that I have given up anything to him, and no one who has read the chapter has supposed me to have approached one step nearer to Mr. Malthus' doctrine than I was before. You surely must forget that Mr. Malthus' objection to machinery is that it adds so much to the gross produce of the country that the commodities produced cannot be consumed; that there is no demand for them. Mine, on the contrary, is that the use of machinery often diminishes the quantity of gross produce, and although the inclination to consume is unlimited, the demand will be diminished by the want of means of purchasing. Can any two doctrines be more different? And yet you speak of them as identically the same.

I will now proceed to the consideration of the doctrine itself, and I am not without hopes that I shall convince you of its being a correct one ; as demonstrable as any in the Science of Political Economy. I acknowledge that machinery would not be erected if it did not produce commodities cheaper than they were produced before its erection, but I deny "that if it does produce them cheaper, its erection must be profitable to every class of persons." Its erection must be profitable to every class of buyers as buyers, but the question between us, is whether it will or not diminish the number of the class of buyers. I say it will, because it will diminish the quantity of gross produce ; and therefore the observation in your letter that it is not with the greater or less gross or net produce that we have the smallest concern, cannot be well founded, for the whole question rests on the truth of this proposition. Diminish the quantity of exchangeable articles, and you diminish the demand for commodities ; you diminish the means of enjoyment of some one or more of the classes of the community. If I have not said whether the machine was to last one, ten, or a hundred years, I have not been so explicit as I ought to have been. I admit too that it is as plain as any proposition in geometry that if it lasted only one year there could be no diminution in the demand for labour, but I do not admit that the same result would necessarily take place if the machine lasted for ten years. If the machine was to last one year only, the cloth produced must be of as great a value at least as before ; but if it were to last ten years, a value much less than that would afford the ordinary profits of stock, because although the same amount of capital would be employed, less of that capital would be employed in the maintenance of labour, and consequently a less deduction

would be annually made from the gross value of the commodity produced. It is what remains after this deduction that invariably constitutes profits. A manufacturer of cloth produces 10,000 yards of cloth, at £2 per yard, or £20,000, of which he pays 9,000 yards, or £18,000, for labour. By the assistance of machinery and with the same amount of capital, he can produce only 3,000 yards annually; but of these 3,000 he is able to retain 1,500 yards for his share as profit, and by the economy in the means of production, cloth we will suppose falls to £1 10s. per yard. Does not the manufacturer get £2,250 on the same amount of capital instead of £2,000, which he got before? Are there not motives enough for him to substitute the fixed for the circulating capital, and can he do so without displacing labour? Here then we have a case of a commodity becoming cheaper because its cost of production is reduced, although its aggregate quantity is diminished. Give to the machine greater durability, and a less return than 3,000 yards will be sufficient to compensate the manufacturer, because he must sacrifice fewer yards for the purpose of keeping his fixed capital in its original efficient state. If with greater durability you suppose the machine still to produce 3,000 yards of cloth, the price of cloth will fall, for its cost of production will still further diminish. It is only in the case of the machine affording 10,000 yards of cloth that you could employ the same quantity of labour, for it is only in that case that you would have the same quantity of food, cloth, and all other commodities annually. You say the productiveness of the steam engine would not be impaired though the fiat of Almighty power were to confer indestructibility on the materials of which it is composed. True, but then the steam engine would be of less

value, because nature would do more for it, and labour less. To obtain an indestructible steam engine now, we are obliged annually to bestow a quantity of labour upon it, and therefore it is of great value. I have not said that if Almighty power would give us steam engines ready made, and capable of doing work for us without the assistance of human labour, that such a present would be injurious to any class. It would be far otherwise. But I have said that when a manufacturer is in possession of a circulating capital, he can employ with it a greater number of men; and if it should suit his purposes to substitute a fixed capital of an equal value for this circulating capital, it will be inevitably followed by a necessity for dismissing a part of his workmen, for a fixed capital cannot employ all the labour which it is calculated to supersede. I confess that these truths appear to me to be as demonstrable as any of the truths of geometry, and I am only astonished that I should so long have failed to see them. I pray you, in my turn, to give an unprejudiced attention to them; if you do, I think you will agree with me.¹

The Report of the Agricultural Committee will be delivered to the House to-morrow. Considering the composition of the Committee it is better than could be expected, and I flatter myself there is enough of good about it to shew the fallacies which we could not expunge from it. Mr. Huskisson drew it up, and it is but justice to him to say that he is for establishing the trade on the most free and liberal foundation.² Mushet wishes I be-

¹ For McCulloch's reply, cf. his "Principles of Political Economy," part ii, sect. 4.

² For Ricardo's estimate of the Report, cf. his speech in the House on April 3, 1822, (Hansard, "Parliamentary Debates," vol. vi, N. S., 1446); "On Protection to Agriculture," sect. vii, in "Works" (ed. McCulloch), p. 481 *et seq.* Also Letter XXVII, following.

lieve that his Tables should be noticed in the Scotsman.¹ I have not examined them very accurately, but I observe that he reckons the whole debt as a capital bearing 5 per cent., whereas a great part only bears an interest of 3 per cent. Whether this leading error is compensated for by reckoning the debt created since the depreciation in 1800 in the same manner, I do not know. If it is, the result will probably be correct. He was bound I think to make all his calculations at compound interest. He has made them at simple interest.²

I request you will be kind enough to give directions that the Scotsman be sent to me at Gatcomb, to which place I am going on Tuesday sennight.

Ever faithfully yours,

DAVID RICARDO.

XXVI.³

GATCOMB PARK, MINCHINHAMPTON, 30 June, 1821.

MY DEAR SIR,

I am glad that you are going to write an article in the Review on the importance of adhering to the standard of currency fixed in 1819.⁴ It is singular that those who have usually maintained sound principles on this important question are, or rather have been, amongst the most vehement to call for such modifications of the

¹ "A Series of Tables exhibiting the Gain and Loss to the Fundholder, arising from the Fluctuations in the Value of the Currency, from 1800 to 1821." London, 1821. McCulloch noticed favorably the second and corrected edition of the work in the *Edinburgh Review*. See below, note 4.

² See below, Letters XXVI, XXVII.

³ Franked by himself. Cover dated, "London, June 30, 1821," and addressed: "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh."

⁴ *Edinburgh Review*, No. LXX (July, 1821), Art. XI, on "Pernicious Effects of Degrading the Standard of Money,"—nominally a review of Mushet's "Series of Tables," and of two other pamphlets.

standard, as would be equivalent to an alteration of it, while the ministers, who were the last to see the question in its true light, are now found amongst the firmest supporters of an unvarying and fixed standard. I am in hopes that all chance of a repeal of the law of 1819 is now gone by, and that we shall so far profit by our past experience as never to venture on the repetition of so dangerous a measure as that of 1797.

You wish to have my opinion of Mr. Mushet's Tables¹ which I will give to you most freely, and only hope that I may be sufficiently clear as to be easily understood. His plan was to shew, by a debtor and credit account, what the fund-holders had, on the whole, gained or lost, by the successive measures of first depreciating the currency, and then restoring it to its ancient standard. During the period that the currency was depreciated, the stockholder lost a portion of his annual dividends, on that portion of the debt which existed prior to the depreciation. But as during the same period he advanced loans to the state in the depreciated currency, on which he should have received dividends forever in a medium of the same value, he is a gainer by being now paid in a medium raised in value. Mr. Mushet proposed to compare these gains and losses, and to determine which on the whole preponderated, but he has committed some very grave errors. In the first table, his calculation is made on a capital of £471,335,923, on the supposition that such was the amount of the unredeemed debt; in 1800 in point of fact that was the amount of the whole debt, redeemed as well as unredeemed. He should have confined himself to the unredeemed debt. Secondly, in the same table, he calculates the interest at 5 per cent. on the nominal capital, and therefore sup-

¹ See above, note 1, page 110.

poses the public creditor entitled to a dividend of 23 millions, but as the greatest part of the capital consisted of 3 per cents, the real dividends did not amount to more than about—[sic]. The same observation applies to the last column, which consists of the capital stock created, not the money value of that stock. Mr. Mushet himself thinks that this is not a matter of much consequence, as it tells one way as well as the other; it certainly does so, but I very much doubt whether it tells as much one way as the other. Thirdly, in the first table he sets out with his money at par, and therefore if his dividends were correct in amount the result would be as he has stated, a loss to the stockholder of £40,099,891, in money of our present standard; but in table 3, and in most of the others, the market price of gold differs from the standard price, and therefore the gain at bottom of £69,457, is not a gain in our standard money, but in a depreciated money, valued by a standard of gold at £4 5s. per oz. To make this amount correct he ought to make a further calculation, and say, as £4 5s. is to £3 17s. 10½d., £69,457 is to X, the correct sum. In table 4 the standard is £4 4s.; 5,¹ £4 16s., £5 4s., etc., etc. His results, which are finally added together, instead of being in one standard common to all, are in standards almost as various as the sums, and must lead to the most false conclusions. In all his calculations for interest from table 21 to 226, he has been satisfied with simple interest. I contend he should have taken compound interest. If I had been an old stockholder, and if for 20 years, in consequence of the depreciation of the currency, I had been deprived of £100 per annum, my loss would have been £3,300; for £100 per annum, accumulated for 20 years at compound interest, would amount to that

¹ Probably for "in table 5."

sum. According to Mr. Mushet my loss would only be £2,950, or £2,000 for loss of dividends and £950 for the simple interest on them. These which appear to me to be errors, I have pointed out to Mr. Mushet himself, and I believe it is his intention to cast his tables anew and make them more correct in another edition.¹

I believe I have entered more particularly into the details of these Tables than is necessary. I have done so for the purpose of shewing you how totally inadequate they are to satisfy us respecting the real loss or gain to the stockholder from the various tamperings with the currency during 20 years.

Now for a few words respecting machinery. You state a very fair case of a manufacturer getting 10,000 yards of cotton out of 100,000.² If his 10,000 yards were wholly produced by machinery, which is to last for ever, and to be of the same value as the capital previously employed in labour and in producing 100,000 yards, you say cottons would rise, because capital cannot move from one employment to another with the rapidity which a contrary supposition would require. I admit everything you contend for on this point, and I ask what will be the condition of the labourers in consequence of the application of machinery to this trade. Whatever may be the price of the cottons there will be a diminution in the quantity produced, and no more of any other commodity will be produced in its stead. Is it possible to conceive so great a diminution of production without suffering to

¹ "A series of Tables exhibiting the Gain and Loss to the Fundholder, arising from the Fluctuations in the Value of the Currency, from 1800 to 1821. Second edition, corrected." London, 1821. The suggestions made above are noted in the preface and incorporated in the Tables. Cf. following Letter.

² Ricardo's meaning is obscure; "out of" should perhaps be "instead of."

some of the classes of society? The effective demand for cottons cannot be so great as before, because that demand depended on the demand for corn and cloth, the commodities consumed by the labourers, whose wages were really paid in cottons. Labour will fall because there will be a diminished demand for it. Corn and cloth will fall because the demand for them depended on the demand for labour. Cottons may rise a little but the high price can only last till additional capital is attracted by high profits to that trade. There will be every motive to quit that employment which does not yield the ordinary profits, for the purpose of engaging in that which yields more than the ordinary profits. I ask for no greater concession than this. In admitting that by the use of machinery the gross annual produce of the industry of the country will be diminished, you give up the argument; for the gross annual produce cannot be diminished in any other way but by a diminished employment of the industrious classes. If machinery could do all the work that labour now does, there would be no demand for labour. Nobody would be entitled to consume anything who was not a capitalist, and who could not buy or hire a machine.

I wish much that I could pay a visit to Scotland this summer, but my engagements with my family will I fear prevent me. I have three children married,¹ and they all live within the distance of 28 miles from my residence in the country, besides which Mrs. Ricardo would not consent to my going without her, and she could not go without my two youngest girls,² and if they went the

¹ His eldest son, Osman Ricardo of Bromesberrow Place, Ledbury; Mrs. Clutterbuck of Widcomb, Bath—later of Hardenhuish Park, Wiltshire, and Mrs. Austin of Bradley, Wotton-under-edge,

² Mary and Bertha, then, according to Miss Edgeworth, about fifteen and ten respectively. Cf. "*Life and Letters of Maria Edgeworth*" (ed. A. J. C. Hare), vol. ii, p. 380.

governess must go; she in her turn would make it necessary to take others, and thus the undertaking would become a serious one. It would I assure you give me great pleasure to be personally known to you, and I do not despair on some future occasion of surmounting the obstacles which at present oppose themselves to our meeting. If you were at all inclined to a little journey, I should be most happy to see you here. Perhaps you could spare a little time from your labours; if so, pray come.

Most truly yours,

DAVID RICARDO.

XXVII.¹

GATCOMB PARK, 8 July, 1821.

MY DEAR SIR,

At Mr. Mushet's request I write these two lines to say that he is busily employed in correcting his *Tables* so as to render them correct in principle. You may expect he says to receive a copy of his New Edition in a fortnight or three weeks. Your observations on the Report of the Agricultural Committee are excellent. I am much flattered by knowing that I fought hard against the principle of the first passage which you quote, but without success. Mr. Huskisson did not himself quite agree with its correctness, but the difference between him and me is this: he would uphold agriculture permanently up to its present height—I would reduce it gradually to the level at which it would have been if the trade had been free, for I should call the trade free if wheat was subject to a permanent duty of 8s. per quarter, to countervail

¹ Franked by himself. Cover dated, "Minchinhampton, July eight, 1821," and addressed, "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh."

the peculiar taxes to which land is subject.¹ You have not noticed the passage in Page 16 beginning with "Assuming therefore," nor in Page 17, "They can however have no difficulty in stating" which are both very objectionable. There is a great inconsistency in Page 11 with the former part of the Report. We say "Taking therefore as the basis" etc.² Here we say that steady prices are advantageous to the landlord, and we have before said that steady prices can only be obtained by permitting them to be low, and on a level with the prices of other countries. The conclusion then is that low prices are beneficial to landlords. To this I cannot agree, but I have not time now to write another word.

Yours truly,

DAVID RICARDO.

XXVIII.³

GATCOMB PARK, MINCHINHAMPTON, 14 Dec., 1821.

DEAR SIR,

This letter will be delivered to you by Mr. John Austin, a gentlemen with whom I have been acquainted for some years, and whose brother is married to my daughter.⁴ His visit to your country is for a commercial object, and to accomplish that object it may be necessary for him to employ some reputable gentlemen in the law.

¹ The preceding sentences are quoted, with some slight changes, in the biographical sketch of Ricardo inserted in McCulloch's volume of "Treatises and Essays," (1853), pp. 482-483. They do not appear in the sketch prefixed to McCulloch's edition of Ricardo's "Works."

² For this and the earlier references see "Report from Select Committee on Petitions complaining of the Depressed State of Agriculture," (1821), *loc. cit.*

³ Cover addressed, "J. R. McCulloch, Esq., Buccleugh Place, Edinburgh."

⁴ See above, note 1, page 114.

As he is a stranger in Scotland, the opinion of one so well able to form a correct one as yourself, respecting the gentlemen whom he may think it necessary to employ, may be of essential service to him. I am sure you will readily allow him to consult you, and by so doing, or by any otherwise serving him you will greatly oblige,

Dear Sir,

Yours very truly,

DAVID RICARDO.

XXIX.¹

GATCOMB PARK, 3 Jan., 1822.

MY DEAR SIR,

I thank you very much for the attention and kindness which you have shewn to Mr. John Austin, the gentleman to whom I lately gave a letter of introduction to you. Mr. Austin has written from Edinburgh, to his brother, who lives in this neighborhood, giving him an account of the kind treatment which he had received from you, and by which he is very deeply impressed; his only regret was that he had engaged too large a portion of your valuable time. In giving a letter to Mr. Austin I by no means wished to call upon you for so great a sacrifice of time as he says you have made to him, and I shall greatly regret, with him, if your kind disposition has in this instance subjected you to inconvenience.

Your letter reached me a few days ago, and as I had a favorable opportunity of sending the notes on Mr. Malthus' book,² for which you ask, to London on the day that I received your letter, I immediately dispatched

¹ Franked by himself. Cover dated, "Ledbury, January three, 1822," and addressed: "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh."

² See above, note 1, page 84.

them, and I have no doubt that ere this you will have had them. I looked for the pamphlet on money which I formerly mentioned to you,¹ to send with the notes, but without success. It may possibly be in my book case in London, in which case you shall have it when I have an opportunity of sending it; or I may have lent it to some friend, and it may not have been returned to me. I remember I thought it clever, but there is nothing in it which can be new to you.

I am sorry to say that I have no book on the subject of the commerce and finance of Holland. If I had, it should be much at your service. I agree with you that much valuable illustration might be derived from a detailed history of the commerce and finance of that country.

I am glad to hear that your exertions do not relax in teaching the principles of Political Economy, and that you contemplate giving lectures to a public class, instead of a private one, next session. I do not know any man who has been more useful in disseminating the sound principles of the science than yourself. Your writings are so clear, and your illustrations so satisfactory, that they cannot fail to convince. Your contributions to the Supplement of the Encyclopedia, and to the Edin. Review contain the most valuable instruction. I shall have great pleasure in looking over the manuscript lectures which you have already prepared, or any other you may hereafter send me, but I have not the least hope that I can give you any useful opinion or advice respecting the conduct of your course. On every point of arrangement I am very ignorant, and am sure that in all I do I make the worst possible. I shall look out carefully for anything that I shall think an error in principle, and shall submit it to your consideration, in order that I may

¹ See above, note 1, page 93.

remove your erroneous opinion if it be yours, or have my own corrected by you, if it be mine. It will give me great pleasure to hear that your arrangements respecting the lectures become a source of permanent and considerable emolument to yourself, as besides the interest which I take in your welfare, a proof will thereby be afforded of the service which you are rendering to others. I shall not be in London till the latter end of this month or the beginning of February, and therefore I shall not see your article on Money before that time, unless you would be kind enough to enclose it under separate covers directed to me here.¹ If it should be printed before February I wish you would do so. Cobbett and his followers keep up incessant attacks upon me, for having said in my evidence before the Bank Committee, that the restoring the currency to the ancient standard, would only alter its value 5 per cent.² He forgets that I was speaking of the plan recommended by me for restoring it, which would not have called for the use of any gold, and which would therefore not have occasioned any demand for

¹ See below, note 3, page 125.

² "Commons Report," *Minutes of Evidence*, p. 137 (see above, p. 26). In his evidence before the Lords Committee, Ricardo expressed the opinion that the alteration in prices would indeed be no more than four per cent. See "Lords Report," *Minutes of Evidence*, p. 184. Probably nothing Ricardo ever said or wrote was more bitterly assailed, both during his lifetime and after, than this estimate. The statement is often encountered (see the references cited in Walker, "Money," p. 362, note,) that Ricardo subsequently admitted its error and recanted. But this is hardly correct. He indeed admitted that the actual alteration was probably nearer ten per cent. than five; but he insisted that the additional fall in prices had taken place only because of failure to comply with the conditions upon which his original estimate was based, and because of the abandonment of the plan of bullion payments. See "On Protection to Agriculture," sect. v in "Works" (ed. McCulloch), p. 469; or better his speech, June 11, 1823, on Western's motion for the appointment of a committee to inquire into the effects of resumption. Hansard, "Parliamentary Debates," vol. ix, (N. S.), 849-859; also *ibid*, viii, 264; vii, 938.

that metal; and then, I ask, what there was in reverting to a bullion standard to make prices alter more than 5 per cent.? Suppose that in 1819, when gold was £4 2s. per oz., we had had two prices, a paper price and a bullion price; £4 2s. in paper, would have purchased no more than £3 17s. 10½*d.* in gold. By raising the value of paper 5 per cent., would not £3 17s. 10½*d.* in paper purchase the same, as the like sum in gold? If indeed during the operation of limiting the amount of paper, I make immense purchases of gold, and lock it up in a chest, or devote it to uses to which it had not before been applied, I raise the value of gold, and thereby lower the prices of goods, both in gold and in paper, which latter must conform to the value of gold; and this is precisely what the Bank have done. They have, from ignorance, made the reverting to a fixed currency as difficult a task to the country as possible. Cobbett forgets too that Peel's bill absolutely prohibited the Bank from paying in specie till 1823. All the friends of that bill had a right to expect that the Bank would make no preparation for specie payments till 1822, one year before the period fixed, and I for one flattered myself¹ that if from 1819 to 1822 it were found that the system of bullion payments was a safe and easy one, specie payments would be still further deferred; but the Bank had strong prejudices against the plan and immediately commenced purchasing bullion and coining money, and were absolutely forced to come to the legislature for permission last year to pay in specie, as they had accumulated a large quantity of coin. After they had been foolish enough to do so, it became a matter of indifference whether parliament agreed to their request or refused

¹ See above, p. 28.

it. Indeed it was more desirable to comply with it.¹ The evil had already been done by the purchase and accumulation of gold, and no further mischief could arise from the substitution of the coins (in circulation) for the paper which they were desirous of withdrawing. Some of Mr. Cobbett's admirers spoke of my false predictions at Monmouth. The same men were at Hereford, where I had an opportunity of speaking for myself, for I was present, and then they said nothing.²

The Lord Advocate's conduct in the affair of the Beacon has been very reprehensible, but I fear it will not be noticed as it ought to be by the House of Commons.³ From the little you have said in your letter, it is clear that, bad as the chance is of any one who has a contest with government in a court of law here, for any offence given to them through the press, it is infinitely more so in Scotland, from the manner in which Juries are selected. I will read the article in the *Edin. Review*⁴ which you recommended with attention, and will say a few words on the subject in the House, if I do not find at the time that the sentiments which I would wish to express should have been already much better expressed by others.

Mr. Austin says something in his letter of an inten-

¹ 1 and 2 Geo. iv, c. 26: "An Act for making further Provision for the gradual Resumption in Cash by the Bank of England." The time at which the Bank might begin to pay its notes in coin was herein changed from May 1, 1822, to May 1, 1821, a privilege of which the Bank promptly availed itself. The alarming increase in the forgery of bank notes of small denominations was the cause alleged by the Bank Directors for the substitution of coin for bullion payments. Ricardo denied vigorously that the change was necessary or justifiable and attributed much mischief thereto. See references in note 2, page 119.

² See Note following this Letter.

³ See page 137, below.

⁴ Probably *Edinburgh Review*, No. LXXI (October, 1821), Art. IX, "On the Nomination of Scotch Juries."

tion half formed in your mind of paying a visit to London in the Spring. I hope you will give every encouragement to the complete formation of so good a resolution; it would give me the greatest pleasure to see you.

Ever, dear Sir,

Yours truly,

DAVID RICARDO.

Will you have the goodness to order the Scotsman to be sent to London as soon as the month of February commences? I will pay my subscription to the agents in Warwick Lane, London, as soon as I go to town.

NOTE.—The opportunity referred to in the text (p. 121) was probably on the occasion of the public dinner given by the inhabitants of Hereford to Joseph Hume in recognition of his public services in the House of Commons. Ricardo was present as an invited guest, and spoke upon parliamentary reform and in defence of his attitude upon the national debt. The incident is mentioned in a letter to Malthus of November 27, and described in one to Hutches Trower of December 11, 1821. A detailed account of the celebration is given in a pamphlet "*The Proceedings in Herefordshire connected with the Visit of Joseph Hume, Esq., M.P., and a detail of the speeches delivered at a Public Dinner,*" etc. Hereford and London, 1822. As the pamphlet has become scarce and is not easily accessible, the report of Ricardo's speech is here appended.

After concluding his own address, Hume rose, "and after complimenting Mr. Ricardo for the assistance he had rendered him in Parliament, took the opportunity of stating that he had heard with great regret that the motives and conduct of his honourable friend (Mr. Ricardo) had been much misrepresented in this country; he was stated to be the friend of the fund-holder, and the enemy of the land-owner, than which nothing could be more unjust. Mr. Ricardo, by interest, was a land-owner, and not a stock-

holder ; but he would leave him to explain his conduct himself."

Upon the toast of the chairman, the health was drunk of "one of the first political economists of this or of any other country." Mr. Ricardo then spoke :

"He felt highly gratified by the manner in which the mention of his name had been received by the respectable company before him, and begged to return his grateful thanks for the honour which had been conferred on him. With respect to the misapprehension of an opinion he had given, alluded to by his honourable friend, Mr. Hume, he should endeavour in very few words to remove it, as he did not wish to occupy the attention of the company by anything personal to himself. Thinking as he did, that the national debt was a most offensive burthen on the industry of the country, he had, in his place in Parliament, expressed his opinion that it would be a measure of wisdom to submit once for all to a great sacrifice in order to remove it, and for that purpose recommended a general and fair contribution of a portion of every man's property ; not, as had been said, of the property of the landowner only, but of that of the merchant, the manufacturer, and the fundholder. He should have been ashamed of himself, if anything so unfair could ever enter his mind, as that of exonerating the fundholder from the payment of his quota of so equitable a tax. On this subject he should say no more as he fully agreed with his honourable friend, Mr. Price, that as this day was set apart for the purpose of acknowledging the services of Mr. Hume, questions wholly extraneous should be avoided. Of Mr. Hume's service to the public, he entertained as high an opinion as any gentleman present ; and as he had seen much of his persevering exertions, he could perhaps speak of them with more accuracy than many others. Mr. Hume's exertions in Parliament had been unremitting as they all knew but he had duties to attend also in different committees and few could have a just idea of the number of documents which he had had to consult. When he considered the variety of accounts which come under his notice, and the voluminous reports which he had read, he believed that he

might say in persevering exertions, Mr. Hume had never been surpassed by any former or present member of Parliament. It was a pleasure to him (Mr. Ricardo), to reflect that he had voted on all occasions in favour of economy; and while he had a seat in the House of Commons he would continue to give his honourable friend his best support in opposing every wasteful expenditure of public money. He concurred fully with the hon. president, and with Mr. Hume, that a reform in the representation was of vital importance to the interests of the country. Without it, good government might truly be said to be impossible. To obtain a reform, then, every exertion should be made; but he recommended to those who heard him, to consider well what constituted a real and efficient reform of the Parliament, for much error might and truly did prevail on this important question. The subject might be considered under three views: first the extension of the elective franchise; secondly, the frequency of elections; and, thirdly, the mode of election. With respect to the first of these, the extension of the elective franchise, he did not consider it the most important object of the three he had mentioned, yet no reform could be an adequate one which did not greatly extend the elective franchise—he should be contented if it went so far as household suffrage. Upon the second point, frequency of elections, he should say that without it there would be no check in the hands of the electors against the corruption of the members. If elections were not frequent, we should not very materially improve our system, and if they were, it would be but reasonable to allow each member to act as he thought proper, notwithstanding the known sentiments of his constituents—those constituents would have the power to displace him at the following election. With respect to the third point, the mode of election, he thought that of the greatest importance on a question of real reform. To secure a real representation of the people in Parliament, there must be secrecy of suffrage or, as it was commonly called, election by ballot. It was nothing but mockery and delusion to pretend to give the right of voting to a man, if you prevented him from exer-

cising it without control. Let the kind offices and superior talents of those above him in station have their due effect in influencing his will—this was a just and legitimate influence, but do not subject his will to the will of another. If you do, it is not his vote you obtain, but the vote of another man; and it would be better and more honourable to give it to that man in the first instance. He (Mr. Ricardo), had thought much on this subject; he had attentively considered all the objections which were brought against voting by ballot, but he could see no weight in them. He hoped, whenever the important subject of reform came under the consideration of the gentlemen present, they would not fail to pay due attention to this vital security for good government."

En route from Hereford to London, Hume visited both Bromesberrow Place and Gatcomb Park.

XXX.¹

LONDON, 8 Feb., 1822.

MY DEAR SIR,

I have found the book which I once mentioned to you.² The title of it is "Elementary Thoughts on the Bullion Question, the National Debt, the Resources of Great Britain, and the Probable Duration of the Constitution," and I will send it to you immediately, if you will like to have it. Perhaps you would prefer to have it sent with the manuscript lectures, which I shall have to return to you, when you put me in possession of them.

I have read your article on Money in the "Supplement" with great pleasure. It is sound in principle, and full of information respecting the various changes which our money has at different times undergone.³

¹ Cover wanting.

² See above, note 1, page 93.

³ "Supplement to the Fourth, Fifth and Sixth Editions of the *Encyclopædia Britannica*," vol. v, pp. 491-536.

I have written to Mr. Murray¹ to thank him for the copy of Sir Dudley North's Discourses on Trade. I had no idea that anyone entertained such correct opinions, as are expressed in this publication, at so early a period. I have a perfect recollection of meeting Mr. Murray at the King of Clubs;² indeed I have reason to do so, for he expressed himself very kindly towards me. I hope I shall soon have an opportunity of improving my acquaintance with him.

I very much fear that you will not agree with me in the opinion which I gave in the House of Commons the other evening, that taxation was not the cause of agricultural distress.³ A relief from taxation would be useful to farmers and landlords, as well as to all other people, but that is no proof that the distress is owing to taxation. The question I conceive is simply this, "Could England have been in a state of great agricultural distress if she had been absolutely without any taxation?" The answer I think is clear and obvious that she could, because she might have a redundant quantity of agricultural produce. If a country has prohibited the importation of corn, and all at once opens her ports, and corn can be imported at a cheap price, she will be involved in agricultural distress. If a country has a succession of good crops, she will have agricultural distress.

¹ Probably John Archibald (later, Lord) Murray, at this time a brilliant young lawyer of Edinburgh and a frequent contributor to the *Edinburgh Review*. See "Memoirs and Correspondence of Francis Horner, M. P.," *passim*.

² See "Letters of Ricardo to Malthus" (ed. Bonar), pp. 5-6.

³ On February 5, 1822, in the debate on the Address on the King's Speech at the opening of the session. Ricardo's speech is briefly and poorly reported. He expressed himself in favor of a reduction of expenditure and taxation; but denied that taxation alone was responsible for the prevalent agricultural distress. The real cause was to be found in the low price of agricultural produce. Cf. Hansard, "Parliamentary Debates," vol. vi, (N. S.), 87.

If she suddenly and greatly improves in her agricultural processes she will suffer distress. All these causes have combined to produce distress in England, for we have opened our ports to the unlimited importation of cheap corn from Ireland; we have had two or three good crops, and we have improved our husbandry. We shall probably not agree in our opinions of the actual state of the country. I think it is on the whole in a flourishing condition, and that our wealth is daily increasing. Everything indicates that our manufactures are in a progressive state of improvement, and from the produce of the revenue I should conclude that their prosperity more than makes up for the losses and adversity of the agricultural class. I cannot help thinking that the distress in agriculture will not be of long duration, and cannot help fearing that we may have a reaction which will be very beneficial to farmers and very hurtful to all other classes. I hope we shall escape through this crisis without aggravating the evil by bad legislation. I have no hope of good measures being adopted; the landlords are too powerful in the House of Commons to give us any hope that they will relinquish the tax which they have in fact contrived to impose on the rest of the community. They appear very much discontented and out of humor and I almost doubt whether I should obtain a hearing if I attempted to express views so very opposite to their own.

I attended a meeting of our Political Economy Club¹ on Monday last. We had a full attendance, and several knotty points were discussed. There is a note in the last edition of my book, in which I express an opinion, that if a commodity be raised in price, in consequence

¹ See Bain, "James Mill," pp. 198-199. The record of the questions discussed by the Club from 1821 to 1833 is unfortunately lost.

of being taxed, and the same quantity as before be consumed, the additional price will not make it necessary to employ any more money for its circulation.¹ The same opinion is expressed by Mill in his book.² The correctness of this view was doubted, and it was accordingly made the subject of conversation. The majority of the company were I think convinced that the proposition was a true one. My opinion of the effects of machinery on the demand for labour was also discussed, but I could hardly satisfy myself of the general opinion on that disputed point. We are to resume the conversation on both subjects when Mill and Torrens are with us. They were both absent on account of ill health.

With great regard, I am,

Ever truly yours,

DAVID RICARDO.

XXXI.³

LONDON, 19 Feb., 1822.

MY DEAR SIR,

While I was out this morning, taking a short walk with my daughters, your friend Mr. Dick called at my house, and left the parcel with which you had entrusted him. I am very sorry that I did not see him. I shall however take immediate steps to secure a meeting with him, and will do all the service in my power to him, by introducing him to such of my friends as are members of Parliament.

¹ "Principles of Political Economy and Taxation" (3rd edit.), chap. xv ("Taxes on Profits"), pp. 242-243; in "Works" (ed. McCulloch), p. 127.

² "Elements of Political Economy" (1st edit.), chap. iv, sect. 15, ("Effects of the taxation of commodities upon the value of money, and the employment of capital").

³ Cover wanting.

Sir John Newport¹ shewed me the paper which he had prepared for you and as my power of franking was exhausted yesterday, I got him to direct the letter, which inclosed his observations, to you. I hope they will be of use to the object which you have in view. I shall not fail to oppose with my vote the police bill, which you describe as being so little accordant with the wishes of the people of Edinburgh, and shall use my best endeavors to call the attention of my friends to its principle and provisions.

I endeavored last night to express my opinion rather fully, for one so little able to speak as myself, to the House on the present question which so powerfully interests the country.² The House listened to me with attention and appeared to follow and understand my arguments,³ but I am sorry to say that the reporter of the Times does not appear to have understood me. I have seen no other paper, but I am sure if you had been one of my auditors you would have given your assent to every one of the propositions which I advanced. Nothing could be worse than the lectures on political economy lately given to the House by Brougham.⁴ He is not even perfect in Adam Smith's work, and really appears not to have paid any attention to the works which have been published in our day.

¹ M. P. for Waterford. He was a staunch Whig, particularly active in debates upon Irish affairs and an earnest advocate of Catholic emancipation.

² On February 18, 1822, on the Marquis of Londonderry's motion for the appointment of a new committee to consider further petitions on agricultural distress, and the report of the earlier committee. Hansard, "Parliamentary Debates," vol. vi, (N. S.), 479. See Note following this letter.

³ Hansard notes: "The hon. member sat down amidst loud and general cheering."

⁴ Cf. Hansard, "Parliamentary Debates," vol. vi, (N. S.), 400.

I will read your lecture with attention, and will return it with my observations, if I have any to make on it, by Mr. Dick. I will also send you by him the book on bullion,¹ which you need not give yourself the trouble to return to me.

I am again appointed one of the Agricultural Committee, but I fear that I shall be able to do little good in it. We have gained something in getting the present law² condemned by all parties, and I have very little doubt but that the same reasons which are given for the condemnation of the present law may be employed against the principle of any protecting law which they may be desirous of establishing.

I remain with great esteem,

Yours very truly,

DAVID RICARDO.

NOTE.—On February 18, 1822, Castlereagh moved in the House for the appointment of a select committee to consider petitions on agricultural distress and the report of the previous committee. Ricardo participated in the debate upon the motion (see preceding Letter), and was made a member of the committee. The report of the committee laid before the House on April 1, 1822, recommended important modifications of existing regulations: an import duty from 12 s. to 15 s. when the home price should be from 70 s. to 80 s.; a duty of 5 s. with the price from 80 s. to 85 s.; thereafter a duty of 1 s.; upon foreign wheat in bond, a further duty of 5 s. when taken out, while the price stood between 70 s. and 85 s. A series of thirteen resolutions, embodying with some modifications, the recommendations of the report, was presented by Castlereagh on April 29, and agreed to by the House on May 13. During the active debate, Ricardo proposed the following substitute resolutions, which are of considerable interest as embodying his plan of a gradual reduction

¹ See above, note 1, page 93.

² 55 Geo. III. c. 26.

in import duties until a mere countervailing duty should be attained: an import duty of 20 s. per quarter of wheat when the home price of wheat exceeded 70 s., with a proportionate tariff for other cereals. This duty should suffer a reduction of 1 s. per quarter each year until it reached 10 s., at which rate it should be fixed. On exportation, a bounty or drawback of 7 s. per quarter should be allowed. Foreign wheat in bond might be taken out when the price exceeded 65 s. per quarter, upon the payment of a duty of 15 s. In order to secure record for these resolutions, the House divided, with the result of 25 Ayes and 218 Noes! On May 20, 1822, a brief supplementary report was presented by the committee upon alleged irregularities in the warehousing of foreign corn. See Hansard, "Parliamentary Debates," vols. vi, vii (N. S.), *passim*.

The measure actually passed (3 Geo. iv. c. 60.) allowed importation subject to a duty of 17 s. for the first three months and of 12 s. thereafter, when the home price stood between 70 s. and 80 s.; of 10 s. and 5 s. respectively, if between 80 s. and 85 s.; and of 1 s. thereafter. Duties on other kinds of grain were fixed at proportional rates.

XXXII.¹

LONDON, 19th March, 1822.

MY DEAR SIR,

I have heard from Mr. Dick this day that he has already sent you the papers with which I entrusted him, and which I concluded he would himself convey to you. It becomes therefore necessary that I should no longer delay telling you that I was very much pleased with your lectures.² I was glad to find that the opinions which we both hold were so ably and clearly expressed, and cannot but anticipate from your efforts their progress and general dissemination. You go a little farther than I go in estimating the value of commodities by the

¹ Cover wanting.² See above, page 118.

quantity of labour required to produce them. You appear to admit of no exception or qualification whatever,¹ whereas I am always willing to allow that some of the variations in the relative value of commodities may be referred to causes distinct from the quantity of labour necessary to produce them. If 1000 bricks vary in relative value to a certain quantity of muslin, produced by the aid of valuable machinery, it may be owing to one of two causes: more or less labour may be required to produce one of them, or wages may have risen or fallen generally. With respect to the first being a cause of variation we entirely agree, but you do not appear to admit that although the same quantities of labour shall be respectively employed on the bricks and the muslin, that their relative values may vary solely because the value of labour rises or falls, and yet the fact appears to me undeniable. To this second cause I do not attach near so much importance as Mr. Malthus and others, but I cannot wholly shut my eyes to it.

There is another passage in your lecture which I think requires a slight correction. You say, "Every produce may be employed to satisfy the wants or to add to the enjoyment of its possessor; or it may be employed as capital and made to reproduce a greater value than itself."² It may be employed as capital if it be a commodity that can be used in reproduction, or if it can be exchanged for such; but if you produced wine and I produced fine cloth, we could neither use them as capital, nor exchange them with each other for commodities which could be used as such.

I was much pleased with your leading article in the

¹ Cf. McCulloch, "Discourse on the Rise, Progress, Peculiar Objects and Importance of Political Economy," (Edinburgh, 1824), p. 66.

² Cf. *ibid.*, pp. 105-106.

Scotsman, which reached me to-day, on the proofs of prosperity, and shall look with interest to the promised article on profits. I have however one remark to make and that is on the observation that profits and wages may both be high. In what medium can they both be high? They may indeed be both paid by an abundance of the quantity of the commodity produced; but then the commodity will be of comparatively low value, and profits will be high, if the proportion of the whole quantity produced paid for profits be great; if the proportion be small, profits will be low and wages high.

I am glad that the Edinb. Police Bill is likely to be framed to your satisfaction. We should have made a good fight for you.

Truly yours,

D. RICARDO.

XXXIII.¹

LONDON, 19 April, 1822.

MY DEAR SIR,

I requested Mr. Murray to send you an early copy of the Pamphlet which I have just published.² I hope you have received it. It is quite possible that you may differ with me about the precise remedy (and the time of applying it) for the present distress, but I think I can confidently rely on your sanction to all the principles which I have laid down. In fact they are the same as you have yourself over and over again most successfully advocated. Though now more feebly urged I am con-

¹ Cover wanting.

² "On Protection to Agriculture," (8vo. London, 1822); in "Works" (ed. McCulloch), pp. 455-498. The pamphlet reached a fourth edition within the year. For McCulloch's estimate of it, see his "Literature of Political Economy," p. 78, and the biographical sketch of Ricardo in the "Works," xxviii-xxix.

vinced that they cannot be brought before the public too often, and I have been particularly induced to submit them to their attention now as the sentiments which I have expressed in the House of Commons have been constantly misapprehended and misstated both in and out of Parliament. An application has been lately made to me to represent to you that Dr. Kelly would be pleased to have his *Cambist* noticed by you in any article of yours in the *Edin. Rev.*¹ In mentioning this I have done all that I think it right to do. You are best able to judge of the merits of the work, and of the propriety of noticing it. I remain, my dear Sir, with great esteem,

Yours very truly,
DAVID RICARDO.

XXXIV.²

LONDON, 7 May, 1822.

MY DEAR SIR,

I like your article on the Corn Laws in the Review very much.³ I am glad to find that we so nearly agree, in all our views, respecting the pernicious influence of those laws. I am sure that they will ultimately be repealed.

¹ "The Universal Cambist and Commercial Instructor, being a full and accurate Treatise on the Exchanges, Coins, Weights and Measures of all Trading Nations and their Colonies; with an account of their Banks, Paper Currencies, &c." By Patrick Kelly, LL.D. 2 vols., 4to. London, 1811.

² Franked by himself. Cover dated, "London, May seven, 1822," and addressed: "J. R. McCulloch, Esq., Buccleugh Place, Edinburgh."

³ *Edinburgh Review*, No. LXXII (February, 1822), Art. VI, on "Agricultural Distress—Causes—Remedies." The article is nominally a review of the Report on Agricultural Distress which is praised in the main, but sharply criticised for its recommendation of a moderate protective duty. McCulloch adds emphatically: "We must relinquish the restrictive system and gradually recur to the sound principle of a FREE TRADE. Everything else is downright quackery and delusion."

The growing knowledge of the country will enable everyone to see that freedom of trade in corn is of the greatest importance to its welfare.

I have read your lectures with great satisfaction. Your defence of manufactures against the attacks which are incessantly directed against them is excellent. I believe with you that our manufacturing population is as moral as the agricultural and certainly much better informed. Adam Smith's view on this subject is I think very defective. I have looked for faults, and not for beauties, in your lectures. I have been able to find very few that appear to me to be such, and where I do find them, they are chiefly on points on which a little difference of opinion exists between us. I have marked the passages in the papers and you will be able very easily to refer to them.

1. You say, "The demand for labour must increase as the capital of the country increases, and it must diminish as the capital diminishes." This is not absolutely true. I may build myself a workshop or construct a steam engine with my savings. I should thereby increase my capital, but the year following I might employ no more labour.

2. "While she does this (augment her capital) she will always have a constantly increasing demand for labour, and will be constantly augmenting the produce of land and labour, and of course also her people."

Remark: The same as the last.

3. "And the capitalist who can invest capital so as to yield a profit of 10 per cent. has it equally in his power to accumulate twice as fast as the capitalist who can only obtain 5 per cent. for his capital."

Remark: This is understated. He could do more

than accumulate twice as fast. Out of two loaves I may save one, out of four I may save three.

4. Remark: He could not give employment to additional workmen.

5. Remark: This may be misunderstood. Less is not consumed. You acknowledge that all is consumed, but it is consumed by a different class, by the reproductive instead of the unproductive.

6. "The interests of individuals is [*sic*] never opposed to the interests of the public."

In this I do not agree. In the case of machinery the interests of master and workmen are frequently opposed. Are the interests of landlords and those of the public always the same? I am sure you will not say so.

7. Remark: I deny that we should be able to employ the workmen displaced by the employment of machinery.

These are all the remarks I have to offer against any of the passages in your lectures; in favor of them I could make many, but that is unnecessary. They are very clear and cannot fail to convince. Mr. Inglis dined with me on Saturday. He appears to be an intelligent, agreeable man. I am sorry that my occupations will prevent me from seeing him so often as I could wish. I will return your papers by him.

I am now going to the House to fight the best battle I can against the country gentlemen.¹ I am very badly supported. Even Bennet and Ellice² give me little hopes of dividing with me.

¹ In the debate on the report of the Committee on Agricultural Distress, Ricardo spoke twice on this evening (May 7, 1822),—the first time in reply to Attwood's opening speech directed largely against him; the second in advocacy of his own proposals (see above, p. 130). Hansard, "Parliamentary Debates," vol. vii (N. S.), 392, 417.

² Henry Grey Bennet and Edward Ellice, members for Shrewsbury and Coventry, respectively. Ellice, at this time a Radical and fol-

I have requested Sir J. Newport¹ and Mr. Hume² to send you whatever information they may have respecting tithes. They promise to furnish me with some for you, and I shall not fail to remind them of their engagement.

I do not quite agree with you about reverting at once to a free trade in corn. The price of corn is indeed low, but land has not gone out of cultivation. It would, I think, be desirable that the process by which it should be made to go out should be very slow. You would otherwise make the situation of the farmer irretrievable. He would be ruined past redemption.

Yours very truly,

DAVID RICARDO.

XXXV.³

LONDON, 26 June, 1822.

MY DEAR SIR,

You will see by the Newspapers that there was a long debate in the House last night on the subject of the Lord Advocate's subscribing to the Beacon.⁴ In his (the Lord Advocate's) speech, he did not mention the Scotsman, and therefore it was not necessary for me to say any thing in defence of the management of that paper. If he had accused it of dealing in personal abuse, I should have vindicated it from that charge. The Lord Advocate had a bad cause, and the majority of

lower of Joseph Hume, became Secretary of War under Lord Grey's government in 1832.

¹ See above, note 1, p. 129.

² Joseph Hume, then sitting for Aberdeen.

³ Franked by himself. Cover dated, "London, June twenty-six, 1822" and addressed, "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh."

⁴ See Hansard, "Parliamentary Debates" vol. vii, (N. S.), 1324-1373.

25 which divided against enquiry, will not clear him in the public opinion.¹

I have only time to write these few lines.

Yours very truly,

DAVID RICARDO.

NOTE.—On July 12, 1822, Ricardo, accompanied by members of his family, left London for a continental tour. He remained away until early in December, visiting points of interest in Belgium, Holland, Germany, Switzerland, Italy and France. The tour and its incidents are summarized in a letter to Hutches Trower of December 14, 1822, and in one to Malthus of December 16, 1822,—the latter being included in Dr. Bonar's edition (pp. 210-214). Of very much greater interest than either of the above is a series of descriptive letters written by Ricardo while away, to members of his immediate family, and privately printed by their descendants: "Letters written by David Ricardo during a Tour on the Continent." (Privately printed. Gloucester, 1891.) Certain excerpts from these Letters, of general interest, are here given:

[Cassell, July 13]. "In my journey from Calais, and at Calais, I have been particularly struck by the diminution in the number of beggars since I was in France in 1817. To be sure there could not be two years which could be so well put in contrast to each other with respect to the supply of provisions. 1817 was literally a year of famine over all Europe, and no country probably felt it more severely than this; in the present, and one or two last years, on the contrary the plenty of provisions amounts to a glut, and instead of the consumer's complaining, the producer is everywhere exclaiming that he is ruined by the cheapness of corn and other produce. There is a medium price, one which shall just remunerate the producer, which is, I think, on the whole, most favorable to the consumer himself—but if the scale must preponderate, let it be on the side of cheapness, if

¹ The House divided upon the motion for the appointment of a committee of inquiry: Ayes, 95; Noes, 120—Ricardo voting in the affirmative.

such happy effects as those which I am now observing follow from it. The enjoyment which I hoped to derive from my last journey was embittered by the sight and complaints of the miserable wretches who assailed me from all quarters whenever the carriage stopt; now I will not say there are no beggars to be seen, but their number is very inconsiderable, and their distress does not appear to be great.

The harvest has generally commenced, the crops I am told are not so good as they were last year."

[Lisle, July 14]. "Lisle is a handsome town, the people well dressed, and every appearance of happiness and prosperity. I asked the waiter at the Inn the price of bread and he told me that the best was 3 sols per pound. When I was at Lisle in 1817 I was told that it was 11 sols per pound—this is a prodigious difference, and would if bread was the measure of value, as contended for by Mr. Cobbett, Mr. Western and their school, more than triple the amount of the French national debt since 1817. If Mr. Western's mode of calculation were followed, it would do a great deal more, because he estimates the money value of the debt, at different times in the money value of wheat; and since 1817 the French stock has risen thirty-three per cent. in money value, consequently the public debt must have quintupled since I was here last."

[Brussels, July 16]. "During the whole of our journey to-day we had the satisfaction of seeing the people everywhere busy carrying their corn. The crops appear to my inexperienced eye to be good. The barley, as well as the wheat, is quite ripe, but much of the oats is yet green. They plough universally in the Netherlands with two horses abreast, one man managing the plough and the horses. On one occasion I saw a man ploughing with one horse, but I suppose the work he was doing was of a particular description."

[Antwerp, July 18]. "I was obliged in this town to cash one of H——'s notes for £50, half of which I took in gold, and half in silver. For the gold I was obliged to give one per cent. premium—the usual price is, I believe, even now that gold is dear, about three per mil. I find it difficult to

account for its not being more. If the mint of England was on the same footing as before 1797, gold would in England be at a premium of five per cent., silver being 4 s. 11 d. per ounce, and gold £3 17 s. per ounce."

[Rotterdam, July 20]. "I called at Mr. F——'s counting-house to get cash for a £50 note of H——'s, and being obliged to wait there some time, I had a good deal of conversation with a partner in the house. He informed me that trade was very dull, and prices very low. Agriculture was particularly suffering, and he quite ridiculed the idea which I told him was held by many in England, that the low prices on the Continent were owing to the enhanced value of money; and the enhanced value of money to the demand for gold, to supply the circulation of England. He was not willing to allow so much effect to this demand for gold as I am disposed to do. Prices he said had been falling ever since the peace, and before this demand for gold commenced."

[Zurich, August 24]. "I was obliged today to carry on a very vehement dispute in French, and I am happy to say I came off victorious. At Basle I had obtained 223 Ecus for £50. I had occasion for £50 more here, and as it was possible I might not be here in business hours, I requested our landlord at Zurich to apply at H——'s correspondent with the bill and get me Swiss money. I did return today in business hours and mine host handed me over 212½ Ecus, making a difference of 10½ Ecus on £50 or £2 7 s. 6 d. I inquired why I had so little and he said he could get no more from the banker. I immediately called on the banker, (H——'s correspondent) to enquire the reason of this, when I found that the landlord had never applied to him for money, and that he was ready to give me 218 Ecus. I then returned to the Inn and begged to have my bill back again or 5½ more Ecus. For a long time I could get neither, the landlord insisting that he had got no more from his banker. I requested him to call on his banker and get back my bill—he said that it was already sent off to London. I finally insisted on knowing the name and address of his banker that I might apply to him; this he would not give me, and at last

seeing I was very firm he gave me the five Ecus and a half. And yet people say I am easy and that any child may impose on me. In this instance I have proved that I am much calumniated."

[Geneva, September 15]. "Mr. Dumont has been a great acquisition to us. We could not have a more agreeable companion, nor one more cheerful and communicative. I always liked and admired Mr. Dumont, but my regard, admiration and respect for him have been very much increased since I have seen him at Geneva, where he holds a very distinguished place as a philosopher and legislator. There is a great deal of playfulness about him, and you would have been highly amused to have heard one or two of his conversations with Bertha, in which she was as much at ease as if she had been speaking to one of her own age. I believe the two girls are favorites with him; they will be glad to renew their acquaintance with him in the spring, when we may hope to see him in London. He has another work nearly ready for the press and which will probably be published before the end of the year."

[Geneva, September 16]. "Mr. Dumont called upon me today to accompany me in a visit to Capet, to see the Duke and Madame de Broglie a distance of about six miles. We found M. Sismondi with the Duke and Duchess. We were asked to stay to dinner, which we readily consented to do, and I came home confirmed in my liking for the Duke, and quite charmed with his wife. She is a very pleasing, unaffected, and affable woman. The conversation turned on the state of England, and on many of the principles of Political Economy, to which Madame de Broglie listened with the greatest attention, and occasionally made an observation, or asked a question in the most agreeable manner. I felt the greatest gratitude to her for making me feel so much at my ease. I must not say anything more in her praise, or you will suspect that one of her principal merits in my eyes was the paying attentions to me. M. Sismondi is a very agreeable man, but he differs greatly from me on the principles of Political Economy. I had a powerful advocate on my side in the Duke and between us we often posed M.

Sismondi, and made him confess that, though he could not immediately answer our arguments, he felt satisfied that they were answerable. Mr. Dumont did not take a leading part in the discussion but evidently leaned on our side."

[Martigny, September 19]. "I dined with Mr. Dumont on Tuesday, and passed a very agreeable day. The company consisted of Mr. Bellort, the Duc de Broglie, Mr. Simond, Monsieur de la Rive, and Mr. Romilly, the eldest son of the late Sir Samuel Romilly. After dinner Mr. Prevost joined our party. The greatest kindness and attention was paid to me by all these gentlemen, and I shall always have reason to think with pleasure of my visit to Geneva. Mr. Dumont gave us an excellent dinner, and was as usual in excellent spirits, and contributed much to the gaiety of the party. The conversation was a good deal in subjects of Political Economy, in which it was not necessary for me to say much as the Duke so completely agrees in opinion with me, and speaks so well, that he made a much better stand for principles which are common to both of us, than I could have made, if their defence had been left solely to me. It is also to be observed that there was great competition for the "parole," and very great difficulty in obtaining it. Monsieur Sismondi and the Duke made what might be called short *speeches*. Mr. Simond speaking of the Duke to me did justice to his talents, but said he was rather too much like a professor.

[Domodossola, September 23]. "At Simplon, we saw for the third time two young Poles, who have been travelling through Switzerland, and were on their way to Italy. The first time I saw them was at Liddes—they had just descended from St. Bernard when we were going to ascend to it. We bowed on meeting again, and one of them addressed me, and asked me whether he was mistaken in believing me to be the author of a work on Political Economy. On my telling him he was not mistaken, he said he had wished much to be introduced to me, that he had been in London, knew Mr. Lefevre, who had promised to take him to my house, but he had learned with regret, that I was then in the country. He told me further that he had been a pupil of Monsieur Say in

Paris, who had recommended him to read my book, and who had a great respect for me. You may be sure I was pleased at the manner in which he addressed me, but not so much overcome as was Gil Blas when he was addressed by a stranger in a similar manner at the time he commenced his travels. The young Poles were in truth very nice young men, and I did not fail to make them tell me their names. I did more, I requested them to write them on paper, which they did. I am glad that my favorite science will not want someone to defend it even in Poland. I confidently expect that it will make great progress in the next thirty years."

[Florence, October 20]. "I was sorry to hear this morning from Mr. Peploe that those concerned with the land in England were as badly off as ever. He told me that wheat was very low, and cattle nearly as much depressed, and that sheep were almost unsaleable. It is strange that this depression should continue so long; it will have its remedy at last, but many may be ruined in the interval."

[Autun, November 11]. "We set off from Macon at the time fixed upon, but I have nothing to record of the day's journey, except that the postillions often called upon us to exchange horses with the travellers we met, to which I invariably consented; your mother making some mental ejaculation, as I could see by her countenance, such as, "You are imposed upon by everybody." "It is a shame to be made such a tool of," etc., etc. My rule is, and it ought to be the rule of a Political Economist to save every portion of labour which does not produce pleasure or gratification to some one human being, and consistently with this rule, I am obliged to consent to exchange horses."

[Paris, November 23]. "I am very sorry you can give no better account of the farmers. Theirs is a pitiable situation, and for the present I see no relief but on the liberality of their landlords, who are themselves in a state of suffering, and not very able to afford assistance to others. I had not heard of any rumors of a dissolution of parliament, nor do I believe such an event probable. In the present discontented state of the landed gentlemen, the ministers will find it equally difficult either to manage the present parliament or

any other that may be chosen in its place. I expect to be the subject of much personal attack next season, but I comfort myself with the reflection that truth will prevail at last and justice will in the end be done to my motives and opinions."

XXXVI.¹

LONDON, 25 March, 1823.

MY DEAR SIR,

I had just finished reading your essay "Political Economy" for the Supplement to the Encyclopædia,² when I received your letter. If you had written two days later our letters would have crossed on the road, for I should not have lost any time in expressing to you the pleasure which I felt in the perusal of your excellent article. Besides a valuable historical sketch, you have given so clear an exposition of all the important principles of the science that you have left nothing for me to wish for. The objections which have been made to the doctrines concerning Value, Rent, Profit, Wages, Demand and Markets have been perspicuously and fairly pointed out, and most satisfactorily answered. My only regret is that the Essay is not published independently of the work in which it will appear.³ It will, I fear, not meet with so numerous a class of readers in the Supplement as its merits would ensure if it were a separate publication.

I am happy to find by your letter that you are about

¹ Franked by himself. Cover dated, "London, March twenty-five, 1823," and addressed: "J. R. McCulloch, Esq., Edinburgh."

² "Supplement to the Fourth, Fifth and Sixth Editions of the Encyclopædia Britannica," vol. vi, pp. 216-278.

³ McCulloch's "Principles of Political Economy" (Edinburgh, 1825), is a slightly expanded reprint of the Encyclopædia article and of the "Discourse on the Rise, Progress, etc., of Political Economy," published in 1824.

to visit London. I have long desired to know you personally, and to express by word of mouth to you the esteem and respect which I entertain for you. I quite agree in opinion with you about Mr. Blake's publication.¹ He shewed it to me before he printed it, and I used the privilege of a friend in freely giving him my sentiments upon it. He was kind enough to give to my remarks the most attentive consideration, but he at last came to the conclusion that he had taken a correct view of the subject. Mr. Blake appears to me to agree with those whose opinions he attacks, without being himself aware of it. He agrees with them that paper money should agree with the standard, whatever variations in value that standard may undergo; he agrees that in our case the restriction bill, which he says ought never to have been enacted, prevented the equalization of value; he agrees that if the ministers had had to raise loans from 1800 to 1815, and there had been no restriction bill, they would have raised sums much less in nominal amount than what they actually did raise, and consequently for those loans we should now have had a much less nominal sum to pay for the dividends on such loans. In what then does Mr. Blake differ from us? In the meaning of the word 'depreciation,' and as to the fact whether the difference between gold and paper was owing to a rise in gold or a fall in paper. In both these points he appears to me to be wrong. Depreciation as applied to money must be understood to mean relative lowness as compared with the standard, and nothing else, and therefore money may be depreciated although it should rise in absolute value. As to

¹ "Observations on the Effects Produced by the Expenditure of Government during the Restriction of Cash Payments." By William Blake, F.R.S. 8vo. London, 1823.

the second point, whether in point of fact gold really rose or paper really fell, there is no criterion by which this can positively be ascertained, but all the appearances are against Mr. Blake. If money continued of the same value whilst gold rose, why did commodities rise also? Mr. Blake's solution is most unsatisfactory. He attributes it to an increased Government expenditure. I should deny that an increased Government expenditure could raise for any length of time the prices of those commodities even for which Government has a demand, but it is impossible to attribute to it the prices of all other things for which Government has no demand. When £120 of the money in England is worth only £100 of the money of Hamburgh or of France, all having been before of the same value, it is impossible I think to deny either that Hamburgh and French money have risen or English money fallen. Mr. Blake denies both propositions. The case you put of America is unanswerable. You need not, I assure you, have the least distrust of your judgment respecting exchanges, because you are unacquainted with the practical details on the subject; the theory, as you know, is very simple, and practice is in strict conformity with it.

I am glad to hear that your lectures have been successful. You are doing a great deal of good in the world. I wish I was as usefully employed, but my powers of writing or speaking are very limited. There have been several good pamphlets on the East and West India sugar question.¹ These pamphlets show how

¹ Called forth by the agitation to equalize the duty on sugar imported from India and the West Indies. See McCulloch, "Literature of Political Economy," p. 93. On May 22, 1823, Whitmore moved the appointment of a House committee to inquire into the existing duties. Ricardo spoke and voted in favor of the motion, which was defeated by a large majority. Hansard, "Parliamentary Debates," vol. ix, (N. S.), 444-469.

much way the good doctrines are making. I have no doubt you will give us a good article on the subject.¹ I have at different times seen some good papers from your pen in the Scotsman. It gives me the greatest satisfaction that we so exactly agree on all the great questions respecting commerce and Political Economy.

I am with great esteem,

Truly yours,

DAVID RICARDO.

NOTE.—The matter-of-fact incorporation of the essential doctrines of "the new political economy" into the Supplement to the Encyclopædia Britannica, had not been viewed with entire equanimity by the most active opponent of the school, Malthus. Writing to the editor, Macvey Napier, on September 27, 1821, Malthus said: "I am not disposed to be offended at differences of opinion, particularly on such a subject as the Corn Laws, which, if justifiable, must be allowed to be an exception to the general rules of political economy; but I confess to you that I think that the general adoption of the new theories of my excellent friend Mr. Ricardo into an Encyclopædia, while the question was yet *sub judice*, was rather premature. The more I consider the subject, the more I feel convinced that the main part of his structure will not stand."

The criticism was promptly communicated by Napier to McCulloch, who under the date of September 30, 1821, replied with some acerbity: "I think the Supplement will gain credit by being among the first publications which has [*sic*] embodied and given circulation to the new, and notwithstanding Mr. Malthus's opinions, I will add correct, theories of political economy. Your publication was not intended merely to give a view of the science as it stood forty-five years ago, but to improve it, and to extend its boundaries. It is, besides, a very odd error in Mr. Malthus to say that the new theories are all *sub judice*. He has himself given

¹ *Edinburgh Review*, No. LXXV (February, 1823), Art. X, on "East and West India Sugar."

his complete and cordial assent to the theory of Rent, which is the most important of the whole ; and the rest are assented to by Colonel Torrens, Mr. Mill, Mr. Tooke, and all the best economists in the country. It is, however, not a little surprising to hear Mr. Malthus censure the Supplement for admitting new theories, when he has himself written a book to prove that the improvements of our machinery, and the economy of the Government and of individuals, have been productive of almost all the misery we now suffer."

Something of this was in turn communicated by Napier to Malthus, and on October 8, 1821, Malthus replied : " I am fully aware of the merits of Mr. M'Culloch and Mr. Mill, and have a great respect for them both ; but I certainly am of opinion, after much and repeated consideration, that they have adopted a theory which will not stand the test of experience. It takes a partial view of the subject, like the system of the French economists ; and like that system, after having drawn into its vortex a great number of very clever men, it will be unable to support itself against the testimony of obvious facts, and the weight of those theories which, though less simple and captivating, are more just, on account of their embracing more of the causes which are in actual operation in all economical results." (" Correspondence of Macvey Napier," pp. 29, 31-32.)

XXXVII.¹

LONDON, 3 May, 1823.

MY DEAR SIR,

I expected ere this to see you in England. I hope nothing has occurred to prevent you from putting your good intention into execution, as I fully depend on the meeting which I have so long desired.

I presented the petition you sent me, and advocated its prayer with the best reasons I could offer, but neither the House nor the reporters paid much attention to me.

¹ Cover wanting.

This is now of no importance as the prayer of this, and of similar petitions has been granted by Government.

I have read your observations on Mr. Blake's pamphlet¹ and think that there are some contradictions which you charge upon him of which he is not guilty. First, with respect to the currency,—the only change in Mr. Blake's opinion, since he wrote his former pamphlet,² is that he formerly thought the difference between gold and paper, as it existed during the war, was owing to paper falling while gold remained fixed ; he now thinks gold rose and paper remained fixed. In support of that opinion Mr. Blake is obliged to contend that gold rose in value in this country from which it was exported, and fell in value or remained fixed, in the countries to which it went. This is the opinion which you attack, and I quite agree with you that Mr. Blake is wrong, but you have not understood Mr. Blake's argument, and suppose him to support principles which he would be the first to condemn. In this dispute Mr. Blake and you attach a different meaning to the word value. If we measure the value of gold by foreign commodities which are the objects of commerce between two countries, it is clear that gold could not in such a measure be exported from a country where it was dear to one where it was cheap. If wine was the measure, gold could never be paid for wine but when wine was dearer in the country which imported it, which is another way of saying that gold was cheaper in that country. But in France where wine is made, wine may fall in value, and at the same time the expences of conveyance may be increased. Under these circumstances England may not import more wine from France, and if France has to pay Eng-

¹ See above, page 145, note 1.

² "Observations on the Principles which regulate the Course of Exchange ; and on the present Depreciated State of the Currency." 8 vo. London, 1810.

land a subsidy, not having anything but gold and wine (we will suppose) to export, she is obliged to pay gold. In all the commodities of France which are bulky and which she cannot export, gold will rise in France, and in England all commodities will rise. The exchange will only deviate from par enough to cover the expences of the transmission of gold, but if we measure the value of gold by the goods of France in France, and by the goods of England in England, gold will come from a country where it rises in value to another where it is falling in value. If under these circumstances France should keep up the same quantity of money as before, by means of a paper circulation, no commodity would fall or rise in France, except gold, which would rise; and the exchanges would deviate more from par than by the amount of the expences of transmitting gold, because the bill would not be paid for in gold, but in paper, which has been prevented from equalizing itself with the value of gold. This is Mr. Blake's argument and it must be admitted that the case is possible, but I think there is very little probability of its occurring. There is a great deal of ambiguity in the use which Mr. Blake makes of the word value. He appears to me to have no common standard by which to measure it generally, but has a particular standard for each particular country. I made this objection to him, and also objected to the use which he made of the word depreciation, which induced him to give me the explanation contained in the inclosed paper.¹ From what I have said you will see that Mr. Blake's fault is rather that of refining too much, and that he cannot with any justice be said to have become the patron and apologist of theories whose fallacy he has himself demonstrated. His conclusions are the same as ours. He is for adhering inflexibly to a

¹ Inclosure wanting.

standard, and his book may rather be considered as an enquiry into the causes of the alteration in the value of the standard, than an enquiry into the causes of the alteration in the currency. I cannot understand what Mr. Blake means by an imaginary currency of invariable value, or why when he speaks of the value of commodities in different countries he measures value by such different standards. In favor of Mr. Blake I should contend against you that it is possible for gold to go from a country where it is increasing in value on account of the peculiar obstacles to the exportation of other things, but though I admit the possibility I agree with you in thinking that Mr. Blake has failed to make out that such was our case during the war, and that all the difference between gold and paper was owing to a rise in the value of gold. Mr. Blake's arguments respecting the effects of a war expenditure are still more objectionable. I cannot say one word in defence of this theory.¹

Have you seen Mr. Malthus' book on the measure of value?² His arguments appear to be fallacious from beginning to end. He would have done much better to rest his defence of the standard he has chosen upon the old arguments in its favor, which I think unsatisfactory; but those which he now uses are delusive and are scarcely to be understood.³

Believe me ever, Most truly yours,

DAVID RICARDO.

¹ Blake asserted that a war demand opened up "a new and immense market" for consumption, thus causing a rise in profits and affording a general industrial stimulus. "Observations," p. 62, *et passim*.

² "The Measure of Value Stated and Illustrated, with an Application of it to the Alterations in the Value of the English Currency since 1790." 8vo. London, 1823.

³ This paragraph is quoted by McCulloch in the biographical sketch of Ricardo contained in the volume of "Treatises and Essays" 1853, pp. 485-486. It is described as Ricardo's allusion to the pamphlet "in one of his letters."

XXXVIII.¹

LONDON, 8 July, 1823.

MY DEAR SIR,

I hope you have reached your home in safety, and that you have found all your friends in good health. I trust that you will not omit coming to us again next spring. We shall all be delighted to see you, and shall be prepared to learn with docility all the good principles which you are to teach us. You have already done much for the good cause, and I have little doubt that you are destined to do much more. We must endeavor to get some of the grown gentlemen in the House of Commons to attend your lectures, and to perfect themselves in the science for which there appears to be a growing taste.²

I shall leave London for Gatcomb on Monday next. I will thank you to give directions to the newsman to send the Scotsman to me there.

My principal object in writing to you is to enclose the papers with which Mr. Tooke has furnished me respecting the exchange with America. I hope you may find them useful for the object which you have in view.³

I am writing to you from a Committee room in the House of Commons and have only time to assure you that I am and ever shall be

Yours truly,

DAVID RICARDO.

¹ Franked by himself. Cover dated, "London, July eight, 1823" and addressed "J. R. McCulloch, Esq., Buccleugh Place, Edinburgh."

² Writing in the year before (March 9, 1822), to Mrs. Ruxton, Miss Edgeworth notes: "It has now become high fashion with blue ladies to talk political economy, and make a great jabbering on the subject. . . . fine ladies require that their daughters' governesses should teach political economy. "Do you teach political economy?" "No, but I can learn it." "Oh dear no; if you don't teach it, you won't do for me." "Life and Letters of Maria Edgeworth (ed. A. J. C. Hare), vol. ii, p. 408.

³ For incidents of McCulloch's visit and for the impression which he left upon Ricardo and Mill, see Letter of Ricardo to Hutches Trower, July 24, 1823; Bain, "James Mill," p. 208.

XXXIX.¹

GATCOMB PARK, 8 Aug., 1823.

MY DEAR SIR,

Mr. Wigram the Chairman of the East India Company has at length sent me the paper respecting the sales of tea, which I enclose.² I hope it will answer the purpose for which you required it.

The difficult subject of value has engaged my thoughts but without my being able satisfactorily to find my way out of the labyrinth. I have received two long letters from Malthus on the subject, and as it may assist you to know the *pours* and *contres* for Malthus' doctrine I enclose his last letter and my answer. Return them by the post, but take care your parcel is not over weight, when you have read them. I am in no hurry for the answer as it is a copy.³ I wish also you would send me your own views on this subject in writing. In your article on *Polit. Econ.* in the *Encyclopædia*, you do not, I think, do quite justice to the argument of our opponents. I cannot get over the difficulty of the wine which is kept in a cellar for 3 or 4 years, or that of the oak-tree, which perhaps originally had not 2*s.* expended on it in the way of labour, and yet comes to be worth £100.⁴ There is no difficulty in estimating all these in a measure of value such as ours, but the difficulty is in shewing why we fix on that measure and in proving it to be what a measure of value must be, itself invariable. I have written a short essay

¹ Franked by himself. Cover dated, "Minchinhamton, August eight, 1823" and addressed: "J. R. McCulloch, Esq., Buccleugh Place, Edinburgh."

² Inclosure wanting.

³ The answer which in the original MSS. precedes the present Letter, is here appended as Letter XL. Malthus's letter was evidently returned to Ricardo, as requested.

⁴ Cf. "Letters of Ricardo to Malthus" (ed. Bonar), pp. 221-222.

on the Plan of a National Bank in which I have endeavored to shew that no one would be injured by such an establishment, but the Bank of England and the other issuers of paper money in the country, who have no claim whatever to a profit which may be compared to that which is derived from the seignorage of money.² I have been expecting a letter from you every day. I hope I shall soon hear from you. The ladies of my family desire to be kindly remembered to you,—my daughter Mary in particular who is obliged to you for your efforts to make her understand Political Economy. She is grateful for your able article on that subject which is safely arrived.

Ever yours,

D. RICARDO.

XL.²

GATCOMB PARK, 2 Aug., 1823.

MY DEAR MALTHUS,

The value of almost all commodities is made up of labour and profits, but in choosing a measure of value it is not necessary that it should possess the property of determining what proportion of the value of the commodity measured belongs to wages, and what proportion belongs to profits. You make it a reproach on my proposed measure that it will not do this, and prefer your own because it will. Now as I do not think this quality essential to a measure of value, I shall not defend mine for

² "Plan for the Establishment of a National Bank." London, 1824. The pamphlet was published after Ricardo's death by his family and was included by McCulloch in the "Works," pp. 503-512.

³ The cover, apparently a duplicate of the one actually used, franked by himself, dated: "Minchinhampton, August third, 1823," and addressed, "The Rev. T. R. Malthus, East India College, Hertford." For the letter actually sent see "Letters of Ricardo to Malthus," (ed. Bonar), pp. 225-230.

not possessing it. This consideration appears to me wholly foreign to the question under discussion.

We agree, I believe, that nothing can be a measure of value which does not itself possess value. We agree too, I believe, that a measure of value to be a good one should itself be invariable; and further that in selecting one thing as a measure rather than another we are bound to shew some good reason for such selection, for if a good reason be not given, the choice is altogether arbitrary. Now the measure proposed by you has value, and therefore [is] not to be objected against on account of any deficiency of that quality; but I do not think it is invariable, and by the concession which you make in your last letter you appear to me to give up your measure, for you now say that "you expressed yourself without sufficient care, when you intimated that, if any number of labourers were imported or exported the value of labour would remain the same." This is a large concession indeed, and I think entirely subverts your measure, because if it be true of labourers exported and imported, it must be true also of labourers born or dying in the country. If by poor laws, imprudent marriages are encouraged, and population is in excess, the effect on the value of labour will be precisely the same as if labourers had been imported; and if an epidemic disorder break out and many labourers die, it will be the same as if they were exported. Nay more, if the people be well educated, and be taught caution and foresight with regard to the increase of their numbers, who shall say that the effect on the value of labour will not be the same as an exportation of labourers? You have, I think, been imprudent, which is much at variance with your general practice, in conceding this point. You allow us to enter into your fortress, and spike all your guns.

You add indeed, "this will only be true after the supply comes to be affected by the increased or diminished number of labourers." When will the supply not be affected by the increased or diminished number? What follows will not assist you, for you say, "If the corn obtained by 20 men be divided among ten, then the value of the wages of 10 men will be less than the quantity of labour employed to produce them with the addition of profits and vice versa." What profits? They might have been 50 per cent., and may from the circumstance mentioned be reduced to 5 per cent. You speak of profits in this place as if they were a fixed amount, and forget that they fall when wages rise. Besides, I will not admit the extravagant supposition that the corn obtained by the labour of 20 men is bestowed as wages on 10 men; but I will suppose that the corn obtained by 20 men had been sufficient to command the labour of 30 men, but that owing to a diminished supply of labour this same quantity of corn, obtained by the same number of men, is bestowed as wages on 22 men. In this case I ask you whether corn has fallen in value in the proportion of 30 to 22? If you say, Yes, then you do not admit that labour may rise in value, in consequence of exporting labourers; and if you say, No, there is an end of your measure, because you then acknowledge that commodities do not vary according to the quantity of labour they can command. I do not see how you are to extricate yourself from this dilemma. I cannot discover what the value of the precious metals in different countries can have to do with this question. A piece of cloth, or a piece of muslin can command more labour in India than it can in England. On this we are agreed; but we are not agreed in our explanation of this fact. You say the piece of cloth or muslin is more valuable in

India than in England and your proof is that it can command more labour in India. You would say so, although both cloth and muslin were exported from India to England, from the country where they are dear, to the country where they are cheap. I, on the contrary, say that it is not the cloth and muslin which are dear in India, and cheap in England, but it is labour which is cheap in India and dear in England, and that cloth and muslin would come to England from India although there were no such commodities as gold and silver on the face of the earth. I say further that you are bound to admit this by the concession which you have made, for you must admit that labour might be rendered cheap in England, as effectually, by prevailing on English labourers to be satisfied with the moderate remuneration of food paid in India as by the importation of labourers, and if you do not admit it, I beg to ask why you refuse to do so. I beg you to point out the distinction between a supply of labourers from abroad with a consequently reduced remuneration of food, and a supply of labourers from the principle of population, and a consequent reduction in the remuneration paid in food. Can you be said to have given a good reason for the selection which you have made of a measure of value when the reason will not bear close examination? You have repeatedly said that a commodity on which a quantity of labour has been bestowed will always exchange for a like quantity, together with an additional quantity which will constitute the profits on the advances. Now this I consider to be your main proposition, and on its truth must depend, according to your own view, the correctness of your measure. Is it true then that every commodity exchanges for two quantities of labour, one equal to the quantity actually worked up in it, another

equal to the quantity which the profits will command? I say it is not. This year corn is cheap, and I must give a certain quantity of it to procure the labour of ten men to be worked up in the commodity which I manufacture; but next year, when I take my commodity to market, corn is dear and wages high, and therefore to procure a certain quantity of labour I must give more of my finished commodity than I should have given if corn had been plenty [*sic*] and wages low. If corn had been cheap and wages low, my profits would have been great; as it is, they are low. I want to know in these two cases whether the commodity does really exchange for the two specific quantities of labour mentioned above. You answer my question by saying that you always make a reserve of the first quantity, and all above it you call profits. But I contend that labour of one value has been expended on it, and it comes to be exchanged for labour of another value, and that is the sole reason why the balance, over and above the labour expended on it, is small. Why is it small? but because the value of labour is high? No such thing, you say; labour never varies, and yet you cannot but confess, that if corn had been abundant and if wages had remained the same in corn,¹ the manufactured commodity would have exchanged for a great deal more labour. You say, "How comes it about that labour should remain of the same value in the progress of society, when it is known that it must require more labour to produce it?" You must mean "to produce the remuneration paid for it"; and you add, "the answer to this question is that, as profits depend upon the *proportion* of the whole produce which goes to labour, it must necessarily happen that the increase of value oc-

¹ "In corn" which is here inserted by a caret does not appear in the Letter sent.

casioned by the additional quantity of labour will be exactly counterbalanced by the diminution in the amount of profits, leaving the value of the labour the same." I confess I cannot understand this answer. We are enquiring about the meaning which should be attached to the words "increase of value" "diminution of value." You tell me that increase of value means an increased power of commanding labour. I deny that this definition is a correct one, because I deny the invariability of your standard measure of value; and to prove its invariability, you speak of the proportions in which the whole produce is divided, and that if wages have more, profits have less;—all which is true, but what connection do you prove between this proposition and the invariability of your measure? In your answer you use the words "increase of value"; that is, to explain the meaning of the words required to be understood, by the use of the words themselves. You mistake M'Culloch's and my objection to your doctrine, if you suppose it to be on account of its making the same quantity of labour of the same value, while the condition of the labourer is very different; we do not object to it on that account, because as you justly observe, our own doctrines require the same admission; but we object to your saying, that from whatever cause it may arise that the labourer's condition is deteriorated, he is always receiving the same value as wages. When *our* labourers are badly off, although (we say) they have wages of the same value, profits must necessarily be very low; according to you wages would be of the same value whether profits were 2 per cent. or 50 per cent.

I think I have shewn you that your long letter was acceptable to me, by doing that which is really a difficult task to me, writing a longer one myself. I am however only labouring in my vocation, and trying to

understand the most difficult question in Political Economy. All I have hitherto done is to convince myself more and more of the extreme difficulty of finding an unobjectionable measure of value. As far as I have yet been able to reflect upon M'Culloch's and Mill's suggestion, I am not satisfied with it. They make the best defence for my measure, but do not really get rid of all the objections. I believe however that though not without fault it is the best.

I am sorry you could not spare a few days for a visit to us; if you will come before we go to town I shall be glad to see you.

I have been writing a few pages in favor of my project of a National Bank, with a view to prove that the nation would lose nothing in profits and economy by abolishing the Bank of England, and that the sole effect of the change would be to transfer a part of the profits of the Bank to the national treasury. Mrs. Ricardo unites with me in kind regards to Mrs. Malthus.

Yours ever,

DAVID RICARDO.

XLI.¹

MY DEAR SIR,

As you express some interest in the discussion going on between Malthus and myself, I send you two more letters.² Return them at your convenience. I will write shortly in answer to your observations on value.

Truly yours,

DAVID RICARDO.

GATCOMB PARK, 15 Aug., 1823.

¹ Franked by himself. Cover dated, "Minchinhampton, August fifteen, 1823," and addressed; "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh." In the original MSS. this Letter follows Letter XLIII.

² See below, Letters XLII and XLIII.

XLII.¹R. I. COLL,² August 11th, 1823.

MY DEAR RICARDO,

I am much obliged to you for your letter, and for shewing me that I had made a rash and unnecessary concession. I was deceived at the time I wrote to you by the strong case occurring to me of the food obtained by 20 men being divided amongst 10, owing to a great mortality or exportation of labourers. I did not then see that instead of profits there would, for that year, be a very great loss, and instead of anything to be added on account of profits, there would be a great subtraction to be made from the labour employed in procuring the food, which would make the thing answer completely, even on so extravagant a supposition. You were however inclined to draw much too large inferences from my concession than it would have warranted, if I had adhered to it. In fact it only supposed an exception in the case of a very violent and sudden change occurring in the interval between the time of the production of the food of the labourer, and the time of its being paid as wages, which would very rarely be so much as a year, and the effect of which would be quite at an end after that time had expired. The concession therefore would not apply either to any natural increase of population, or any retardation in the rate of it from prudence. But in reality I find that there is no occasion for any concession.

I do not find fault with your measure because it does not determine what proportion of the value of a com-

¹ Cover addressed, "D. Ricardo, Esq., M. P., Gatcomb Park, Minchinhampton, Gloucestershire."

² East India College, Haileybury, where Malthus held the professorship of history and political economy.

modity belongs to wages and what to profits. I do not consider my measure as determining this, although it is always equal to the two [*sic*] united; but I find fault with it, because it varies with the varying profits of other commodities and therefore cannot possibly measure with any tolerable accuracy these variations.

You say you cannot discover what the value of the precious metals in different countries can have to do with this question. This surprises me I own a good deal. You who have proposed a measure of value formed of the precious metals obtained in a particular way, appear to me to be imperatively bound to furnish your readers with the means of distinguishing between a high price of labour while money remains of the same value, and a high price occasioned by a low value of money. Would you *really* say that cloth and muslin were not dear in India where they cost four or five times as much labour as in England, and that the prodigious difference in the exchangeable value of the products of the same quantity of labour were exclusively occasioned by the *naturally low value* of labour in India, although perhaps according to your own mode of estimating, it might not be easy to shew that labour was of lower value in India than in America. Indeed I believe that profits are higher in America, and therefore the value of labour in India ought to be lower. And though it may be true that the same sort of exchanges might take place, if there were no precious metals, yet we could form very little notion of what the rate of these exchanges would be, without a reference to actual facts, and these facts shew that this rate is most powerfully influenced by the proportion which money bears to labour in the places where the commodities are produced. As a political economist are you not bound to

shew whether this prodigious difference in the money price of labour in America and India is occasioned by the difference in the quantity of labour required to produce the wages in each country, or by a difference in the value of money; and further is it not to be expected that you should shew how to estimate the value of money in different countries? You deny that every commodity exchanges for two quantities of labour, one equal to the quantity actually worked up in it, another equal to the quantity which the profits will command; yet it does not appear that the case you produce (though unusual as it involves a sudden change in the value of money) goes any way towards supporting your objection. You say, in substance, that having paid common wages one year, if corn becomes dear the next, and wages rise, the commodities will not command the quantity of labour stated in my proposition; but surely it will, if we estimate profits by the difference between the quantity of accumulated and immediate labour advanced to produce a commodity and the labour which it is worth when sold. And I would submit to you whether this is not a much more *natural* and *correct* mode of estimating profits, than even in money the value of which may have changed in that short interval. What sort of profits are those which, when a man continues to employ the same quantity of labour in his business, may leave him absolutely nothing to live upon? Let us suppose him to have employed ten labourers at £10 apiece, and to sell his commodity for £110, he will appear to have gained 10 per cent.; but it will be obviously only a nominal not a real gain if he is obliged to pay £110 for the same quantity of labour next year. Should this price of labour continue he must necessarily give up his business unless the money price of his commodity rises.

This shews the absolute necessity of measuring value and profits in labour, not in money, whenever there is the least suspicion that money may have altered in value. But if we measure profits by the difference between the labour advanced and the labour which the commodity will command, and (excluding the variable article money) I would ask how we can estimate profits but upon the actual advances, which are acknowledged to be accumulated and immediate labour, then it appears to me to follow as clear as the sun, that if value as you say in the beginning of your letter is made up of labour and profits, the variable wages which command the same quantity of labour must be of the same value, *because* they will always have cost in their production the same quantity of labour, with the addition of the profits upon that labour. Your doctrine is that the value of wages rises when more labour is employed on their production. I quite agree with you that as far as that part of their value which resolves itself into the labour advanced is concerned they *do increase* in value; but you have fallen into the important error of considering their value as made up of labour alone instead of being made up of labour and profits, as you justly say is the case with almost all commodities. But as the wages of labour like other commodities are unquestionably made up of labour and profits, I am utterly at a loss to conceive what view you are taking of the subject when you say that you don't understand the connection between the invariability of labour as a measure of value, and my proposition which shews that as the positive value of the labour worked up in the wages of a given number of men increases, the positive value of the profits (the other component part of their whole value) diminishes exactly in the same degree. If these

two propositions can properly be considered as having no connection with each other, I must have quite lost myself on these subjects, and can hardly hope to shew their connection by anything which I can say further. I will however just add, that they appear to me to have the same kind of connection as your proposition respecting the constant value of commodities produced in the same way as the precious metals, and a fall in the value of profits in the same degree as a rise in the money price of the same quantity of labour. In this case, which in a manner goes through your book, you make the fall of profits prevent that rise in the value of the commodity which would otherwise take place from what you state to be a rise in the value of the same quantity of labour. Allowing the premises, I should allow that the connection was complete and satisfactory, and that such commodities would remain of the same value. Then why, I would ask, is there no connection between the constant value of the wages of the same quantity of labour, and that fall in the value of profits which prevents the rise which would otherwise take place in the wages of the same number of men from the increase in the quantity of labour required to produce them? You observe "Can you be said to have given a good reason for the selection which you have made of a measure of value, when it will not bear close examination?" You have no doubt the fullest right to find fault with all my reasons; and I can honestly assure you that the more strictly you examine them the more you will please me, but I don't think that I fairly lay open to the charge which you elsewhere seem to make of defining an increase of value to be an increased lever of commanding labour, without giving reasons for it. The invariability of the value of labour is indeed

my *conclusion*, but by no means the definition with which I set out. And this *conclusion* appears to me to follow in the strictest manner from the concessions which you and the other political economists have made, and are indeed generally acknowledged. I own to you that after paying the greatest attention to all you have said, I consider this conclusion as quite safe from you. If it be vulnerable at all, it must be from weapons which apply equally to your system and mine, and which deny the existence of absolute value; but this would unquestionably confuse one of the most important distinctions in political economy, and would be taking up a position which after all appears to me to be by no means tenable. It is no doubt true that demand and supply are the real foundation of all exchangeable value, and that the *only* reason why labour is a correct measure of this value, when nothing else is concerned, is that the supplies from the same kind and quantity of labour would on an average be in the same proportion to the demand for them; but if the labour in different countries or in different periods of the same country were very different in physical force, the products of the same number of days of the different kinds of labour would not be in the same proportion to the demand and would not therefore exchange with each other. But still it might without impropriety be said, that the products obtained by a person who worked only six hours a day would be scarcer and dearer in reference to the natural wants and numbers of the society than the products obtained by persons who worked twelve hours a day, and that therefore it would be more proper to say that the products in the first case are dearer, than that labour is cheaper. Practically all the circumstances of this kind are taken into consideration in the two propo-

sitions I stated in my last letter, to which I do not now see any exceptions.

I am glad you are writing. I should like much to pay you a visit at Gatcomb, but fear I shall have no opportunity.

Kind regards.

Ever truly yours,

T. R. MALTHUS.

XLIII.¹

GATCOMB PARK, 15 Aug., 1823.

MY DEAR MALTHUS,

It is prudent in you to withdraw your concession, for I am sure that your theory could not stand with it. You find fault with my measure, you say, because it varies with the varying profits of other commodities. This, I acknowledge, is an imperfection in it, when used to measure other commodities in which there does not enter so much or more of profits, than my measure itself contains; but you do not appear to see, that against your measure the same objection holds good; for your measure contains no profits at all, and therefore never can be an accurate measure of value for commodities which do contain profits. If I had no other argument to offer against your measure, this, which I am going to mention, would (*when used to you*) be fatal to it. You say that my measure cannot measure commodities produced by labour alone. Granted; but if it be true, how can your measure measure commodities produced with labour and profits united? You might just as well say that 3 times 2 are 6, and that twice 3 are not 6, or that a foot measure was a good measure for a yard, but a yard was not a

¹ For the Letter actually sent, see "Letters of Ricardo to Malthus," (ed. Bonar), pp. 231-237.

good measure for a foot. If your measure will measure my commodity accurately, mine must do the same by yours. These are identical propositions, and I confess I see no answer that can be made to me. The fact really is that no accurate measure of absolute value can be found. No one doubts the desirableness of having one; but all we can ever hope to get is one tolerably well calculated to measure the greatest number of commodities, and therefore I should have no hesitation in admitting your measure to be the best, under all circumstances, if you can shew that the greater number of commodities were produced by labour alone without the intervention of capital. On the other hand if a greater number of commodities are produced under the circumstances which I suppose to attend the production of my measure, then mine would be the best measure. You will understand that in either case I suppose a degree of arbitrariness in the selection, and I only contend that it would be best employed in selecting mine. When you say that my great mistake is in considering commodities made up of labour alone and not of labour and profits, I think the error is yours, not mine, for that is precisely what you do; you measure commodities, by labour alone, which have both labour and profits in them. You surely will not say that my money, produced by labour and capital, and by which I propose to measure other things, omits profits. Yours does. What profits are there in shrimps, or in gold picked up by daily labour, on account of the labourer on the seashore? How much more justly might the accusation be brought against you! You object to me that I am inconsistent in wishing to leave the consideration of the value of money here and in India out of the question when speaking of the value of commodities and of labour in this country and in India.

I, you say, to leave out the consideration of the value of the precious metals, who have proposed a measure formed of them! There is nothing inconsistent in this. In examining your proposition which rejects my measure and adopts another, I must try it by your doctrines and not by mine, which you reject. A conclusion founded on my premises might be a just one, but if you dispute my premises and substitute others the conclusion may no longer be the same, and in examining your doctrines I must attend only to the conclusions to which your premises would lead me. You ask, "would you really say that cloth and muslin were not dear in India where they cost four or five times as much labour as in England?" You know I would not, because I estimate value by the quantity of labour, which is worked up in a commodity; but by the cost in labour of cloth and muslin in India you do not mean the quantity of labour actually employed on their production, but the quantity which the finished commodity can command. The difference between us is this, you say a commodity is dear because it will command a great quantity of labour in exchange. I say it is only dear when a great quantity has been bestowed on its production. In India a commodity may be produced by 20 days labour, and may command 30 days labour. In England it may be produced by 25 days labour, and command 29. According to you the commodity is dearer in India, according to me it is dearer in England. Now here is my objection against your measure as a general measure of value, that notwithstanding more labour may be bestowed on a commodity, it may fall in value estimated in your measure; it may exchange for a less quantity of labour. This is impossible when you apply your measure legitimately to those objects only which it is calculated to measure. Would

it be possible for example to apply more labour to the production of shrimps, or to pick up grains of gold on the seashore, and yet to sell those commodities for less labour than before? Certainly not, but it would be quite possible to bestow more labour on the making a piece of cloth, and yet for the cloth to exchange for a less quantity of labour than before. This is another argument in my mind conclusive against your measure.

I repeat again that the same trade precisely would go on between India and Europe, as far as regards commodities, if no such thing as money made of gold and silver existed in the world. All commodities would, in that case, as well as now, command a much larger quantity of labour in India than in England, and if we wanted to know how much more, either of those commodities, as well as money, would enable us to ascertain. The same thing which makes money of a low value in England, makes many other commodities of a low value there, and the political economist in accounting for the low value of one accounts at the same time for the low value of the others. I do not object to accounting for the low value of gold in particular countries, but I say it is not material to an enquiry into a general measure of value, particularly if it be itself objected to as forming any element in that measure?

Suppose a farmer to have a certain quantity of cattle and implements, and a hundred quarters of wheat,—that he expends this wheat in supporting a certain quantity of labour, and the result is 110 quarters of wheat and an increase of $\frac{1}{10}$ also in his cattle. Would not his profits be 10 per cent. whatever might be the price of labour the following year? If the 110 quarters could command no more labour than 100 quarters could command before, he would, according to you, have made no profits; and you are

right if we admit that yours is a correct measure of value; in that case he would have a profit in kind, but not a profit in value. If wheat was the general measure of value, he would have a profit in kind, and the same profit in value. If money was the correct measure of value, and he commenced with £100, he would have 10 per cent. profit if the value of his produce was £110. All these results leave the question of a measure of value undecided and prove nothing, but the convenience, in your estimation, of adopting one in preference to another. The labourer, however who lived by this labour, would find it difficult to be persuaded that his labour was of the same value at two periods, in one of which he had abundance of food and clothing, and in another, he was absolutely starving for want. What he might think would certainly not affect the philosophy of the question, but it would be at least as good a reason against the measure you propose, as that of the farmer in favor of it, when he found that he had no profits because he had no greater command of labour, altho' he might have more corn or more money. You call every increase of value nominal which is not an increase in the measure you propose. I do not object to your doing so, but those who do not agree with you in the propriety of adopting this measure, may argue very consistently in saying they are possessed of more value when they have £110, than when they had £100, although the larger sum may not when it is realized command so much labour as the smaller sum did before, because they not only admit but contend that labour may rise and fall in value, and therefore in respect to labour he may be poorer altho' he possesses a great value.

I have said that the value of most commodities is made up of labour and profits. If this be so, you say, it

is as clear as the sun that the variable wages which command the same quantity of labour must be of the same value, *because* they will always have cost in their production the same quantity of labour with the addition of the profits upon that labour. I confess that I cannot see the connection of this conclusion with the premises. Whether you divide a commodity in 8, 7 or 6 divisions, it will always be divided into two portions, variable portions, but always two. If the division be 8, the portions may be 6 and 2, 5 and 3, 4 and 4. If 7 they may be 5 and 2, 4 and 3, 6 and 1, and so on. Now this is my admission. What we want to know is what the number of those divisions are, or what the value of the commodity is, whether 8, 7 or 6? And have I come a bit nearer to this knowledge by admitting that whatever the value may be, it will be divided between two persons? Whatever you give to the labourer is made up of labour and profits, and therefore the value of labour is constant. This is your proposition. To me it wants every quality of clearness. I find that at one time I give a man 10 bushels of wheat for the same quantity of his labour for which at another time I give him 8 bushels. Wheat according to you falls in the proportion of 10 to 8. I ask why? And your answer is, because "as the positive value of the labour worked up in the wages increases, the positive value of the profits (the other component part of their whole values) diminishes exactly in the same degree." Now does this positive value refer to the same quantity of wheat? Certainly not, but to two different quantities, to 10 bushels at one time, to 8 at another. You add, "if these two propositions" (namely, the one I have just mentioned, and the invariability of labour as a measure of value) "can properly be considered as having no connection with each other, I must have quite lost my-

self on these subjects, and can hardly hope to shew the connection by anything which I can say further." I hope you do not suspect me of shutting my eyes against conviction, but if this proposition is so very clear as it appears to you, I cannot account for my want of power to understand it. I still think that the invariability of your measure is the *definition* with which you set out, and not the *conclusion* to which you arrive by any legitimate argument. My complaint against you is that you claim to have given us an accurate measure of value, and I object to your claim, not that I have succeeded and you have failed, but that we have both failed; that there is not and cannot be an accurate measure of value, and that the most that any man can do is to find out a measure of value applicable in a great many cases, and not very far deviating from accuracy in many others. This is all I have pretended to do, or now pretend to have done, and if you advanced no higher claims I would be more humble, but I cannot allow that you have succeeded in the great object you aimed at. In answering you I am really using those weapons by which, alone you say you can be defeated, and which are (I confess) equally applicable to your measure and mine. I mean the argument of the non-existence of any measure of absolute value. There is no such thing; your measure as well as mine will measure variations arising from more or less labour being required to produce commodities, but the difficulty is respecting the varying proportions which go to labour and profits. The alteration in these proportions alters the relative value of things in the degree that more or less labour or profit enter into them, and for these variations there has never been, and I think never will be any perfect measure of value.

I have lost no time in answering your letter, for just

now I am warm in the subject and cannot do better than disburthen my mind on paper.

Ever, my dear Malthus,

Truly yours,

DAVID RICARDO.

XLIV.¹

GATCOMB PARK, 21 Aug., 1823.

MY DEAR SIR,

You will have received two more letters which have passed between Mr. Malthus and me on the subject of his measure of value, and which I sent to you a few days ago. I fear that you will not agree with either of us, but will still contend for the mathematical accuracy of the measure which you and I both prefer. I do not see the great difference you mention between the circumstances which determine the exchangeable value of commodities, and the medium of that value. I agree with you that if you are to measure value you must measure it by the agency of some one commodity or other possessed of value. That is what Mr. Malthus and we all propose to do, and the only difference between us is respecting the circumstances which are to determine the value, the invariable value, of the commodity which we choose for our measure. Is it not clear then, that as soon as we are in possession of the knowledge of the circumstances which determine the value of commodities, we are enabled to say what is necessary to give us an invariable measure of value? We all acknowledge too, that 2s. with its annual accumulations, at a compound rate of profit, will at last yield £100, and

¹ Franked by himself. Cover dated "Minchinhampton, August twenty one, 1823," and addressed "J. R. M'Culloch, Esq., Buccleugh Place, Edinburgh."

should do so to preserve the equality of profits, but I question the propriety of calling these accumulated profits by the name of labour, and of saying that the commodity so worth a hundred pounds was valuable in proportion to the quantity of labour bestowed upon it. The tree which originally cost 2s. for labour and becomes in aftertime of the value of £100, has never strictly more than 2s. worth of labour employed on it.

A commodity, produced by the labour of one man in 52 weeks, is, and ought to be, more valuable than another produced by 52 men in one week. Yes, you say, because a capital employed for the 52 weeks gives more employment to labour than the capital employed for one; but there are in fact only equivalent quantities of labour in these two commodities. You explain this by saying that you estimate the labour bestowed on a commodity by the labour bestowed on the capital or agent by which the commodity is produced. This I think is 'Torrens' mode of estimating value, for it is in fact saying that commodities are valuable according to the value of the capital employed on their production, and the time for which it is so employed. This is a different thing from saying that commodities are valuable according to the quantity of labour worked up in them. I do not however agree with either proposition, and I would ask what means you have of ascertaining the equal value of capitals? You say, "if it requires a capital of £1000 to set the muscles of the mason in motion who builds me a house, and if it also requires £1000 to set fermentation, purification and all the other processes in motion [which] will produce me a cask of wine, is it not plain that both the house and the cask of wine cost the same quantity of labour, if they are produced in the same time? and is it not also plain that if it requires

different times to produce them, it can only be because different quantities of labour are wrought up in them?" This does not appear to me so plain. You assume that these equal quantities of capital now worth £1000 each will always be of equal value, but nothing is more probable than that one shall become more valuable than the other. These capitals are not the same in kind. What will employ one set of workmen, is not precisely the same as will employ another set, and if they themselves are produced in unequal times they are subject to the same fluctuations as other commodities. Till you have fixed the criterion by which we are to ascertain value, you can say nothing of equal capitals, for what is equal to-day may be unequal in a year. The question is, what are the circumstances which are necessary to give invariability to any commodity, for that ought to be the character of our measure. This is the test to which all measures of value must be brought, and to which I must submit any measure you may propose. If you said, "of all commodities I know, that one in which labour enters for a certain time, and which always requires the same quantity of labour, is the best measure of value," I should agree with you; but you must not propose it as one against which no objection can be reasonably made, for if you did, Malthus might retort on you the argument I use to him, and say, 'if your commodity is a good measure for my shrimps or for my gold picked up by daily labour on the seashore, why is not my measure (shrimps, or gold so picked up) a good measure for yours?' To me it appears that we have a choice only amongst imperfect measures, and that we cannot have a perfect one, for there is no such thing in nature. When we measure the length of a piece of linen we measure length only, and we measure it by a

commodity which has length that is invariable, but value is compounded of two elements, wages and profit mixed up in all imaginable proportions; it is in vain, therefore, to attempt to measure accurately, unless your measure agrees precisely in the proportion of wages and profits with the commodity measured. A commodity which has wages in it alone, and no profits, and this is Malthus' measure, is not an accurate measure for commodities which have both labour and profits in them. All we can do is to make the best choice amongst confessedly imperfect measures, and I should have no hesitation in choosing Malthus', if the number of commodities produced by labour alone were the most numerous; but as the contrary is the fact, as the great mass of commodities is produced by the union of labour and capital for a certain length of time, I have nothing to amend in the choice I have made. I consider it a mean. Malthus' is at one extreme of the scale, old oak trees are at the other. In one there is nothing but labour, in the other there is nothing but accumulations of capital from profits with scarcely any labour whatever, and therefore they are both unfit measures of value. I have not come to this conclusion without a great deal of reflection, but I am quite open to conviction if you have anything powerful to urge in favor of your view. Suppose wine and cloth to be both made in a year with the same quantity of capital, and that a pipe of wine newly made, and a certain quantity of cloth are each worth £50. Suppose profits to be 50 per cent. per annum. A pipe of wine kept one year after it is made will be worth £75, kept two years it will be worth £112 10s; but the piece of cloth will always be worth £50. Now if profits fall to 5 per cent., cloth and wine just made will be the same as before, each of the value of £50; but wine

kept one year will be worth £52 10s., and if kept two years it will be worth £55 2s. 3d. The value of the capitals employed is precisely the same, the quantity of labour employed is also the same, and while the time is the same the value of the finished commodity is also the same. When we see commodities thus vary on account of our alteration in profits, would it be right to assert that there was no other cause of variation but the greater or less quantity of labour necessary to produce them? Practically commodities vary very little on account of an alteration of profits, because profits generally vary very inconsiderably; but we are not less bound on that account to acknowledge that if profits did vary, so would commodities.

I never had any doubt of Mr. Blake's being wrong. I am glad that the papers I sent you from Mr. Tooke were useful in shewing how the fact really was respecting the exchange with America.¹ I shall be anxious to see your article on Taxation.² Let me hear from you soon.

Very truly yours,

DAVID RICARDO.

¹ See above, page 152.

² "Supplement to the Fourth, Fifth and Sixth Editions of the *Encyclopædia Britannica*," vol. vi, pp. 608-645.

XLV.¹

EAST INDIA HOUSE, 19th Sept., 1833.

MY DEAR SIR,

You and I need not tell to one another how much we grieve on this deplorable occasion. With an estimate of his value in the cause of mankind, which to most men would appear to be mere extravagance, I have the recollection of a dozen years of the most delightful intercourse, during the greater part of which time he had hardly a thought or a purpose, respecting either public, or his private affairs, in which I was not his confidant and adviser.

My chief purpose in writing is the relief I shall find in communicating with the man who of all the men in the world estimated my lamented friend most exactly as I did; and also, in case you should not have received the particulars of his illness from any other quarter to give you a few details which will be interesting to you.

The malady commenced with a pain in the ear, which resembled a common earache, and which they treated as the effect of some little cold. He suffered somewhat on the Sunday night, but had little pain remaining after he got up the next day; and the same symptoms were repeated for several nights, and days. Towards the end of the week the suffering increased, and became dreadful, when the strongest applications were deemed necessary. On the Saturday night the imposthume broke, and the pain abated; but so much was he reduced, and the

¹ The following letter, which is here reproduced from the original communication, has already been printed in Bain, "James Mill," (pp. 209-211). In response to inquiry, Professor Bain writes that he had no access to any MSS. in McCulloch's possession, and adds: "I cannot now remember in what form James Mill's letter to McCulloch came into my hands." A copy of the letter may have been retained by Mill, or it may have been put in type by McCulloch himself in the *Scotsman* newspaper or elsewhere.

whole frame affected, that they continued in considerable alarm. On Tuesday morning however, he seemed decidedly better, and Mrs. Ricardo wrote to me, describing what had happened, and urging me to make a run down to Gatcomb, as likely to help in cheering the dear sufferer, and accelerating his convalescence. This letter I received on the Wednesday morning, and on the Friday morning I received a few lines from poor Mary, written at twelve o'clock on Thursday, and stating that they were all assembled in the adjoining room, waiting every moment for the dissolution of her beloved father. The pain in the head had returned, and after a period of unspeakable agony, pressure on the brain ensued, which produced first delirium, and then stupor, which continued till death.

I have had several communications from the family since; one from Mr. Moses Ricardo yesterday. Their sufferings you who know how he was loved and how he was valued can easily conceive. Of Mrs. Ricardo he says, that "though she is looking shockingly, she does not complain, and bears her loss with resignation and fortitude." The health of those who are younger is less likely to be seriously invaded.

There is a point which I must mention, though I shall probably have to write to you about it more at length hereafter. Some of us have been talking of the desirableness of some appropriate testimony of respect for his memory, and the foundation of a lectureship of political economy to be marked by his name, has suggested itself. The thing will be seriously considered, and you shall hear.¹ I have only room to add, that as you and I are his two and only genuine disciples, his memory must be

¹ See Note following this letter.

a bond of connection between us. In your friendship I look for a compensation for the loss of his.

Most truly yours,

J. MILL.

Excuse me for addressing this to the Scotsman Newspaper Office,¹ as I know not but there may be another of your name in Edinburgh and am anxious that this letter should certainly reach you.

NOTE.—Similar details to those contained in the foregoing Letter, concerning the circumstances of Ricardo's sudden illness and unexpected death, and of the effect of the intelligence upon his immediate circle of friends, are to be found in Bain, "*James Mill*," pp. 206-214, citing passages from the correspondence of Mrs. Grote, and in two letters of Anthony Austin (Ricardo's son-in-law) to Hutches Trower, dated respectively, September 6 and 12, 1823, and contained in the University College collection of Ricardo's Letters to Trower.

The remains of Ricardo were brought for interment from Gatcomb Park, his actual residence and the place of his death, to Hardenhuish Park near Chippenham, Wiltshire, the beautiful country seat of his daughter, Mrs. Clutterbuck. Recollections of the impressive solemnity of the great funeral cortege which wound over the Gloucestershire hills from Minchinhampton to Chippenham still linger in the vicinity.

The grave of the economist is marked by a massive monument, a square canopy supported by four pillars with four female figures grouped about a central column. It stands close by the tiny village chapel at the edge of Hardenhuish Park, and is inscribed: "To the Memory of David Ricardo, Esq., M.P." Within the chapel is a simple memorial tablet.

Soon after the death of Ricardo, a fund was raised by the subscriptions of his friends and admirers for the foundation of a lectureship of political economy. The first course of these Ricardo Memorial Lectures was given in London by

¹ Cover addressed, "— McCulloch, Esq., Scotsman Newspaper Office, Edinburgh. Private."

McCulloch himself and attended with great success. (Bain, "James Mill," p. 265). The fund or as much thereof as remained was later transferred to the newly erected University of London, now University College, and is still used, partly in the award of Ricardo scholarships, partly in the purchase of economic books distinguished as the Ricardo collection.

Ricardo's will provided for the bequest of small amounts (£100 each) to Malthus and to James Mill.

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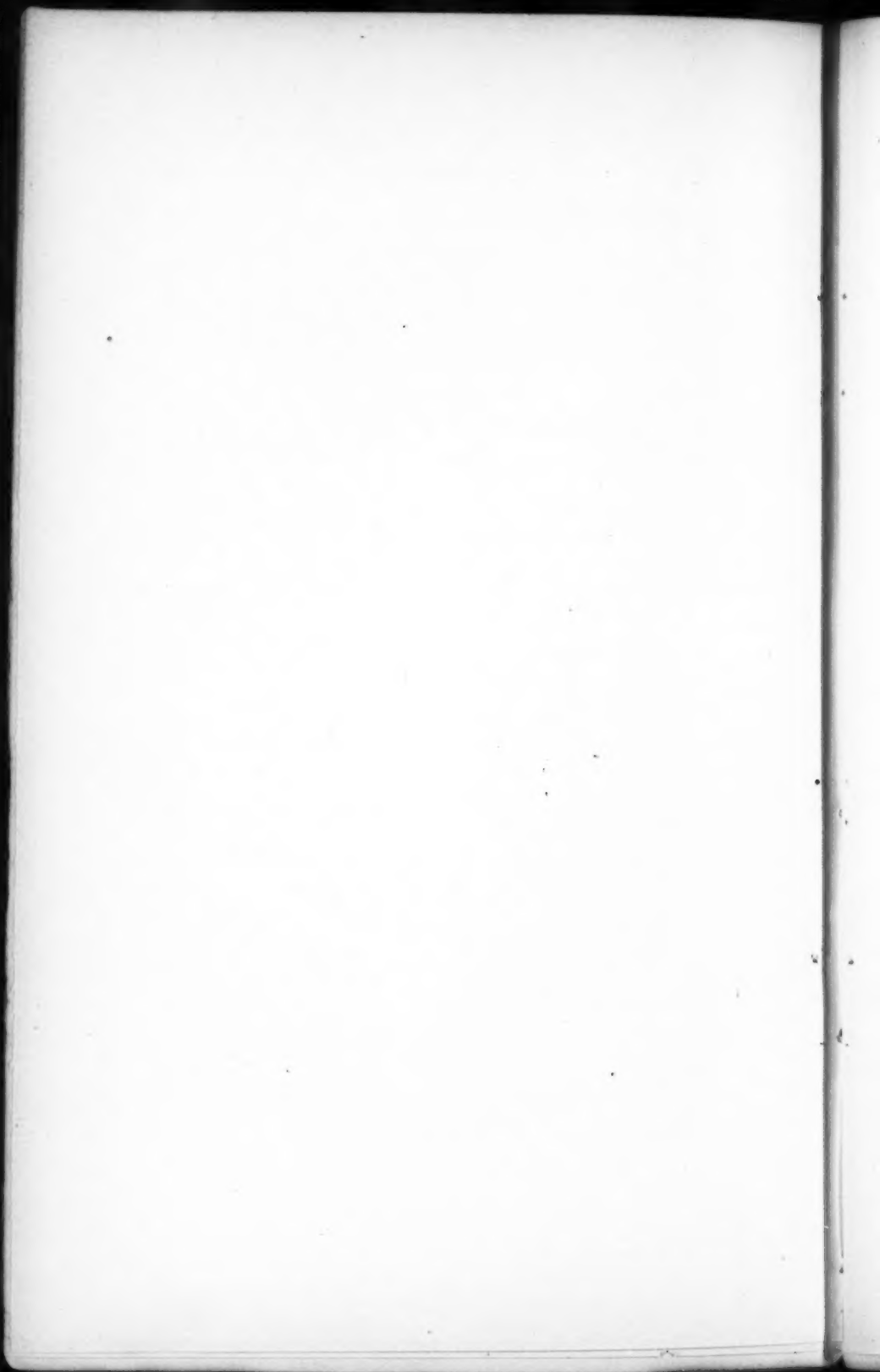
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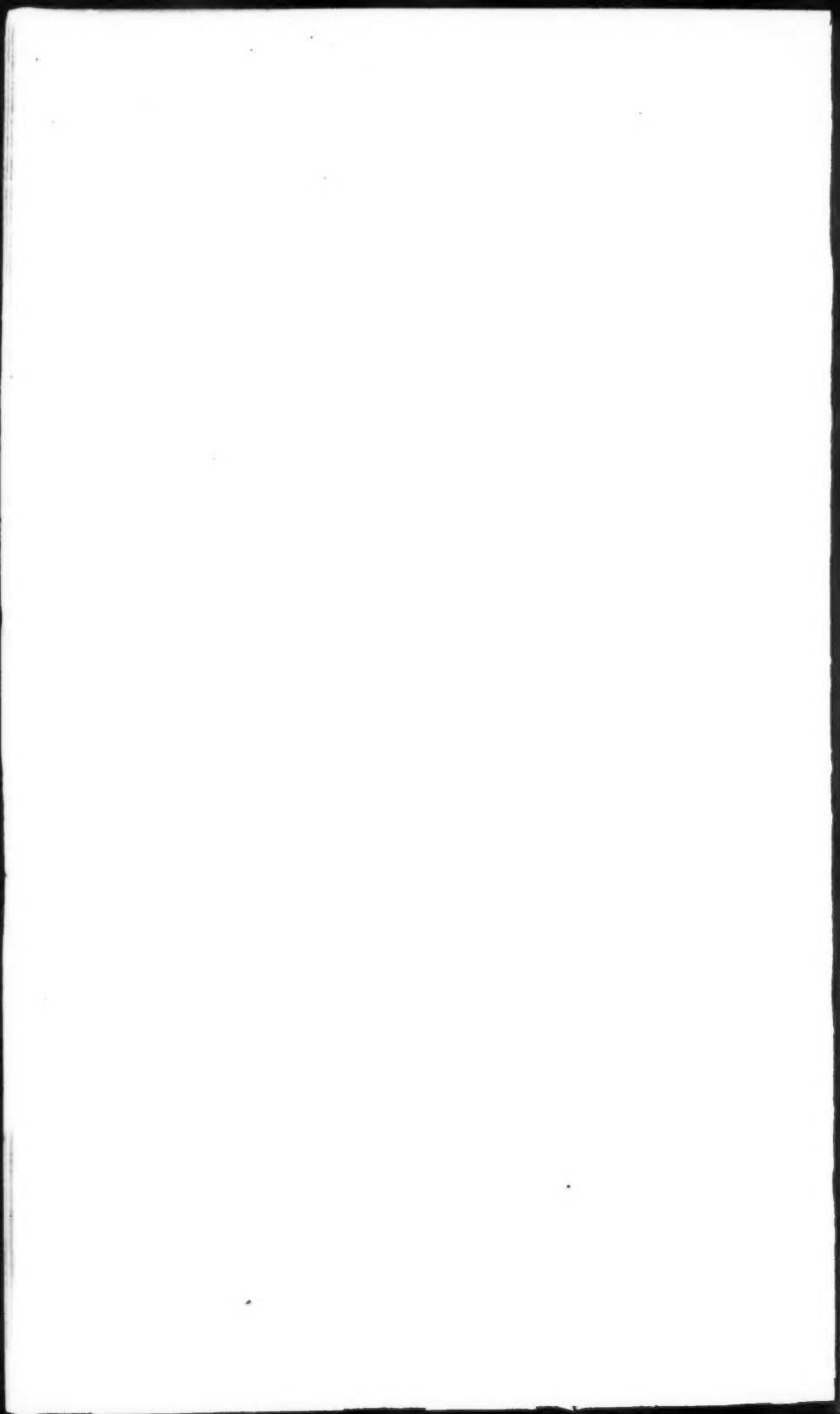
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